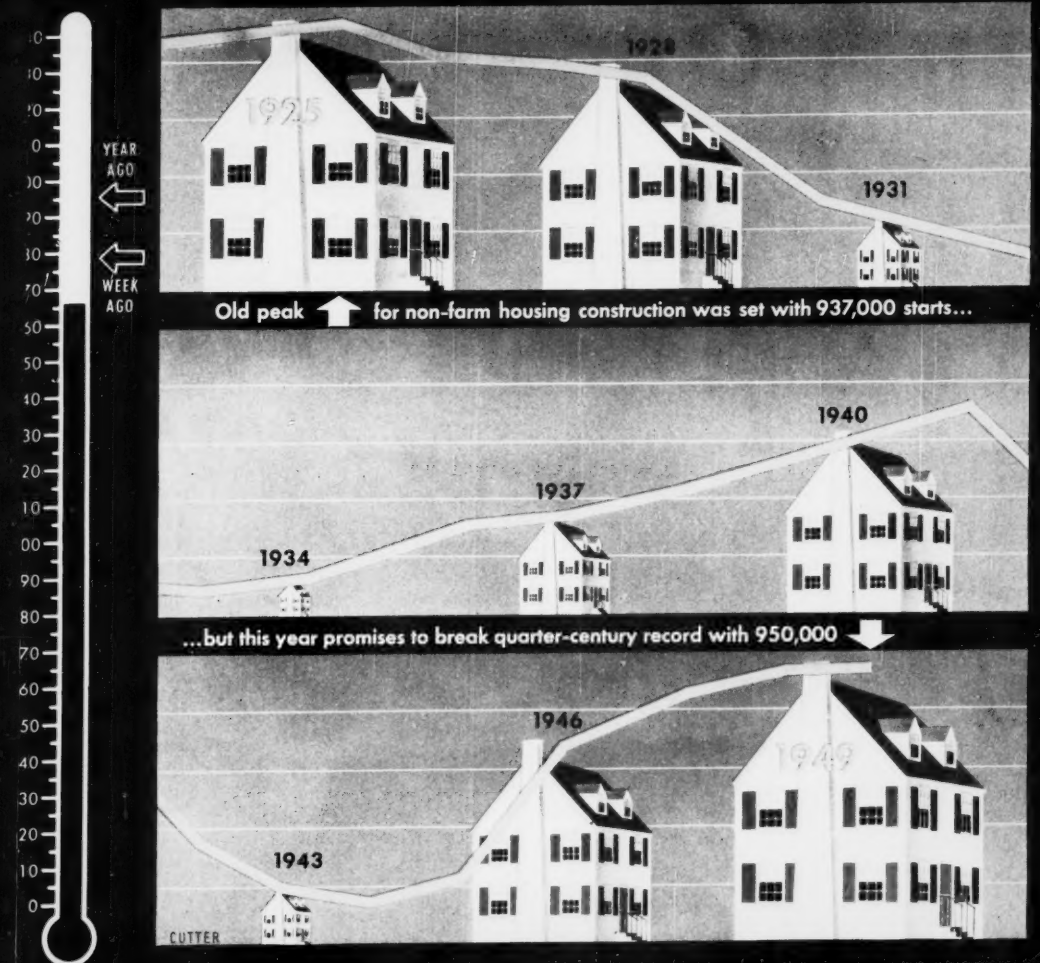
BUSINESS WEEK

OCT. 15, 1949

A McGRAW-HILL PUBLICATION



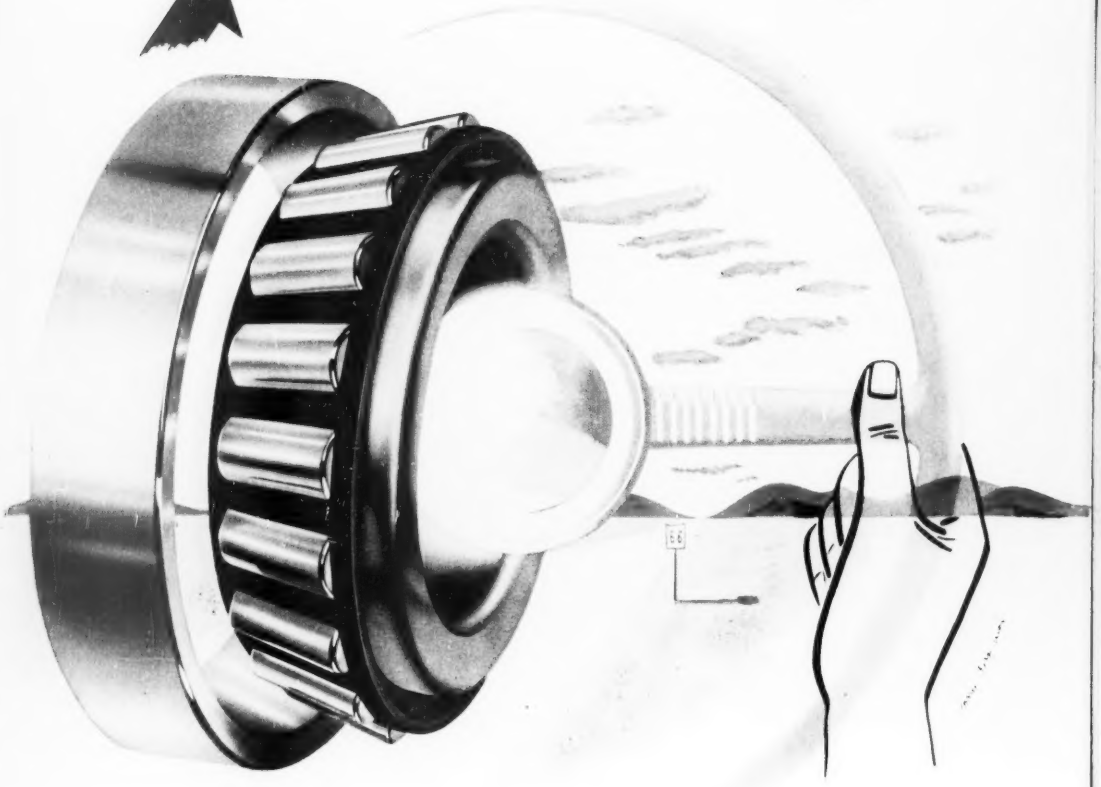
Record Housing Year

BOON TO OTHER INDUSTRIES—PAGE 19

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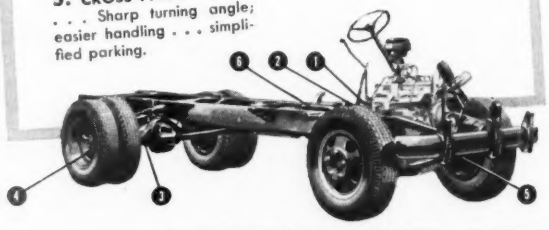
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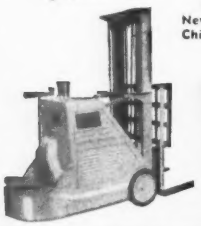


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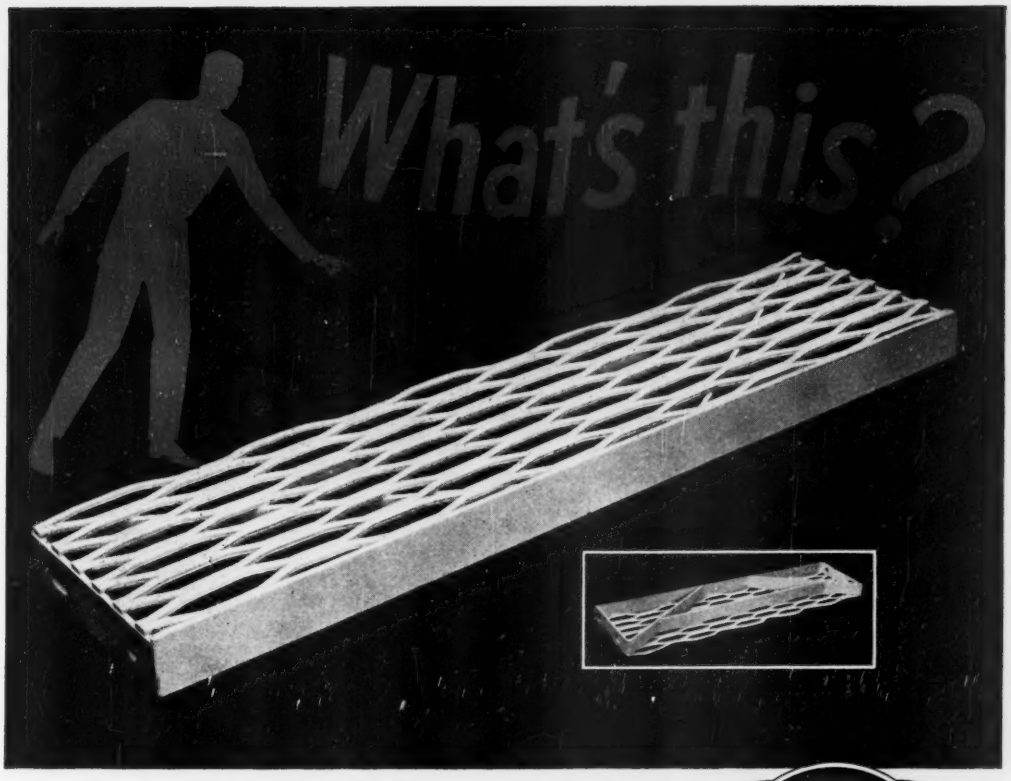
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THE DEPARTMENTS

Business Abroad	121
Business Outlook	9
Construction	62
Executive Opinion	34
Finance	94
International Outlook	119
Labor	106
Management	42
Marketing	67
The Markets	104
New Products	88
Production	81
Readers Report	78
Regions	48
Transportation	92
The Trend	128
Washington Outlook	15

THE COVER

Few, even among the experts, figured that the postwar housing boom would roll so long. And almost no one expected to hear the loudest crack as late as 1949. But from the way the housing starts have been piling up thus far, it looks as if house-building this year will beat a record that's held for 25 years.

• **Same Pattern**—Looking back a quarter-century at the building boom of the twenties might take some of the surprise out of the continued lift this year. For eight years, running through 1929, building activity ran at a sustained high level.

But it took four years of steady climb to reach the peak figure of 937,000 starts in 1925 (cover). And there were still four good years left—each totaling better than 500,000 starts—before the slump of the thirties set in.

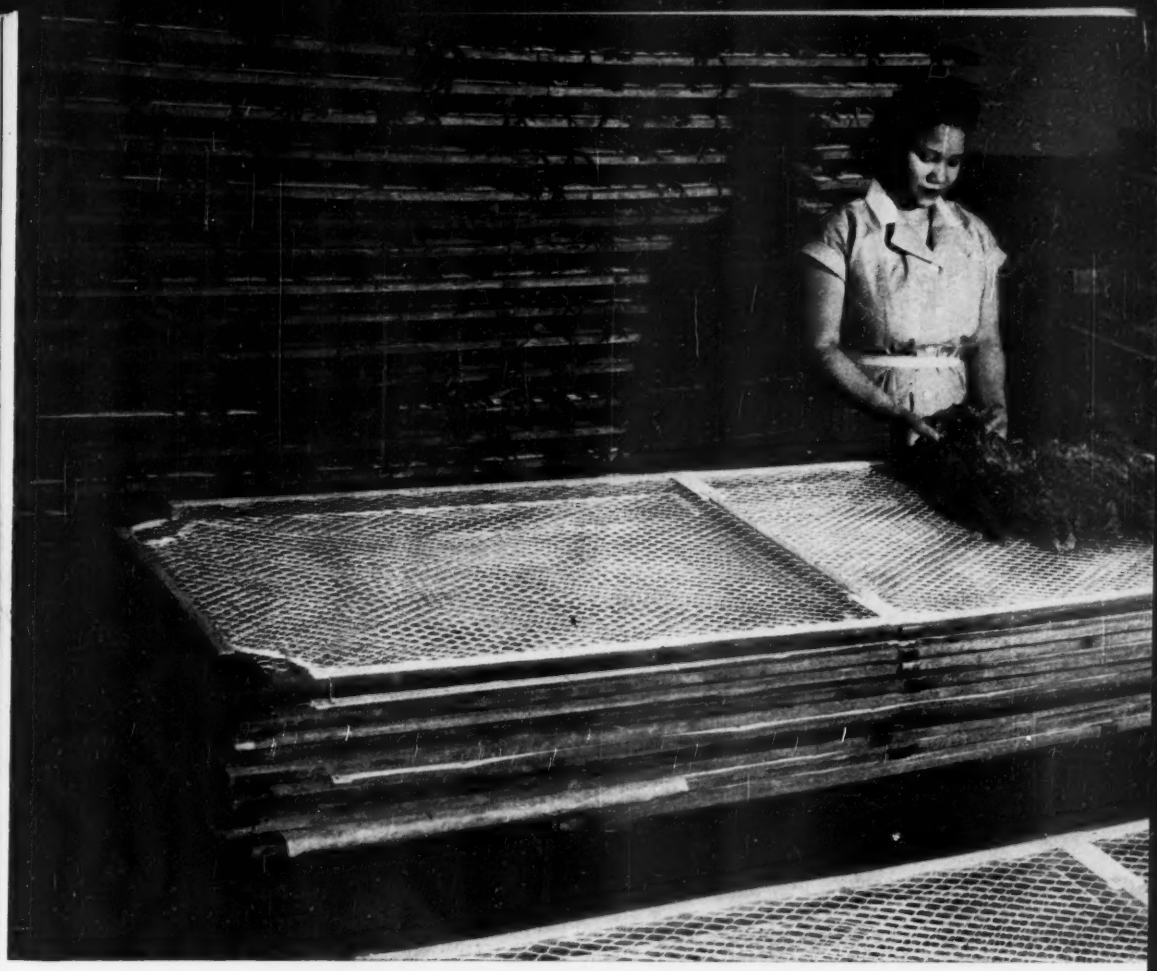
If you match this pattern of the twenties with the present one, you can find plenty of room for optimism. The post-World War II boom got under way in 1946 with a jump to 670,500 starts from 209,300 the year before. As in the twenties, it has taken four years for building activity to reach a crescendo.

• **Depends on Prices**—Can there still be as many good years ahead for builders as there were after the 1925 peak?

Demand is still there, no question. Results of a recent housing study made for the Federal Reserve Board show that families plan to buy or build at least 7-million more homes in the next five years (BW—Sep.24'49,p22).

But there's a big gap between planning and signing. Continued high-level building activity will turn largely on how successful builders are at offering more house for less money. This year builders got good results by responding to this pressure. Even though they will build more units this year than they did in 1948, total value of houses put in place will be smaller.

—Complete story on 1949 building boom starts on page 19. Cover chart by James Cutler.



HOW NYLON CURED A HUMIDITY HEADACHE

High replacement costs that have been going on for years can sometimes be brought to a sudden halt—simply by introducing a new material. Take the case of these fiber screens that used to be replaced every two weeks.

In that short time, the heat and humidity of a tobacco conditioning room made the netting sag. When that happened, air couldn't circulate properly between the stacked-up layers of tobacco. Frequent screen replacements seemed to be a headache that just had to be endured. Then this cigar-maker tried screens made of Du Pont nylon fibers.

That was two and a half years ago—and the original nylon screens are still in use. The heat and humidity just don't bother them!

In another spot in this plant, humidity runs around 99%. The netting used here rapidly deteriorated from mold. Now nylon netting is on the job. It has already lasted four times longer than previous materials. And nylon's resistance to weakening by mold and mildew suggests that this netting will give good service far into the future.

How can nylon benefit you? Perhaps its unusual performance properties can help you improve a production process . . . make a better product . . . or a new one. Nylon is tough and durable . . . strong yet light. It's elastic and resilient, quick drying, easy cleaning. Nylon fabrics can be heat-set to hold shape. And nylon resists deterioration by mildew, soil and marine rot, petroleum oils and alkalies.

Find out the many ways industry is profiting with nylon. Write for the 32-page booklet, "Nylon Textile Fibers in Industry." And tell us your fiber or fabric problems. We'll be glad to help out on them. Address Room 6510-T, Nylon Division, E. I. du Pont de Nemours & Co. (Inc.), Wilmington 98, Delaware.

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J-80151

BUSINESS OUTLOOK

BUSINESS WEEK

OCTOBER 15, 1949

Plan for a long steel strike, if you want to play it safe.

Cautious steel users don't buy predictions of an early settlement. They think it may be the end of November before the furnaces are going again.

That doesn't mean the break won't come sooner. If it does, so much the better.

Now that the issue is drawn, both the steel industry and the union intend to make a fight of it. Outside pressure for a settlement—from the government and from the public—has been slow in building up.

•

Demands for a quick settlement in steel will get more urgent from now on.

So far, business in general hasn't felt much of a pinch. Steel users, knowing what was coming, stocked up heavily.

But as stocks run out, plants will have to close down. This week, for instance, Thor Corp. announced that it would stop production on its washing machines within seven days.

The strike hasn't cost the steel companies much in the way of lost business—yet. The excess inventories of steel consumers had to be worked off one way or another. That would have meant smaller orders for a while, if there hadn't been a strike.

From now on it will be a different story. Some business that is lost because customers have to close down is likely to be lost permanently.

•

A long steel strike would certainly put a blight on this fall's business recovery. Would it spoil our chances for a good first quarter in 1950?

It might—if it cut so heavily into production and purchasing power that a deflationary spiral got started. But the chances are that it would work the other way, too.

The strike has cleaned up top-heavy steel inventories. Now a steel deficit is building up. When the mills finally reopen, there will be a flood of orders.

Before the strike the steel industry was running around 85% of capacity. After the strike is settled, operations may well climb to 95%. Even so, it will take months to make up the lost production.

Full-blast operations in steel would give business a bang-up close for 1949—and a running start for 1950.

•

There is even a chance that we might have a quick burst of inflation early next year.

Industry will be catching up on shortages caused by the strikes. The government will be paying out $2.8-billion in veterans insurance refunds. Armament spending will be heavier.

The result could be a sudden flurry of price increases.

This is nothing to bank on. But keep an eye open for such a possibility.

•

The steel and coal strikes will take a big bite out of consumer purchasing power while they last. These two industries alone made up 6% of all wage and salary payments in 1948.

But purchasing power still is one of the strong points in the economic picture. The consumer has money. And he wants to spend it.

The Federal Reserve Board has just rechecked its survey of consumer

finances (page 25). It wanted to see if the business dip this year made any difference in consumer buying plans.

FRB found that consumers felt the recession all right. In July, about seven out of every twenty said they were making less money than a year ago.

But it hadn't made any difference in the number of automobiles and other durables that consumers intend to buy during the next year. And it hadn't changed their outlook significantly. The group that thought times were good was twice as big as the group that said times were bad.

This is the first tipoff we have had on how consumers took the slump. It looks good from any angle.

•

If pension plans become the general rule in industry, somebody will have to come up with the answers to some man-sized problems.

For instance, what are you going to do with the reserves that you accumulate to pay the future benefits? A single company can invest them conservatively, use the interest to enlarge the pension fund. But if all industry tried that, it would swamp the investment market.

And again, what are you going to do about workers between the ages of 40 and 65? Nobody will want to hire them because they run up the costs of the pension plans.

There already are few enough job openings for the middle-aged group. In Dayton, the state employment service has just done a study of 1,000 jobs listed with it. Only 8% were open to men over 45.

•

This year's cotton crop looks to be half a million bales bigger than previous estimates. That means half a million bales more to go under government loan.

The Agriculture Dept. now figures the 1949 crop for 15,446,000 bales. Add a carryover of better than 5-million. That gives you a total cotton supply of about 20.5-million bales.

Exports and domestic consumption won't take more than about 11-million or 12-million. So you wind up with a surplus of about 9-million—most of it on the government's hands.

•

Business inventories dragged bottom in August. That marks the end of the inventory recession of 1949.

The Commerce Dept. estimates total business inventories at $50,422,000,000 in August. That is only a shade below July ($50,491,000,000). But it is better than $4-billion under the peak last March.

Stocks of durable goods were down from $21,930,000,000 in July to $21,441,000,000 in August. Nondurables were up—from $28,561,000,000 to $28,981,000,000. That's the start of this fall's restocking.

Business loans have been rising since August. That means inventories are being rebuilt. The September figure should be up sharply.

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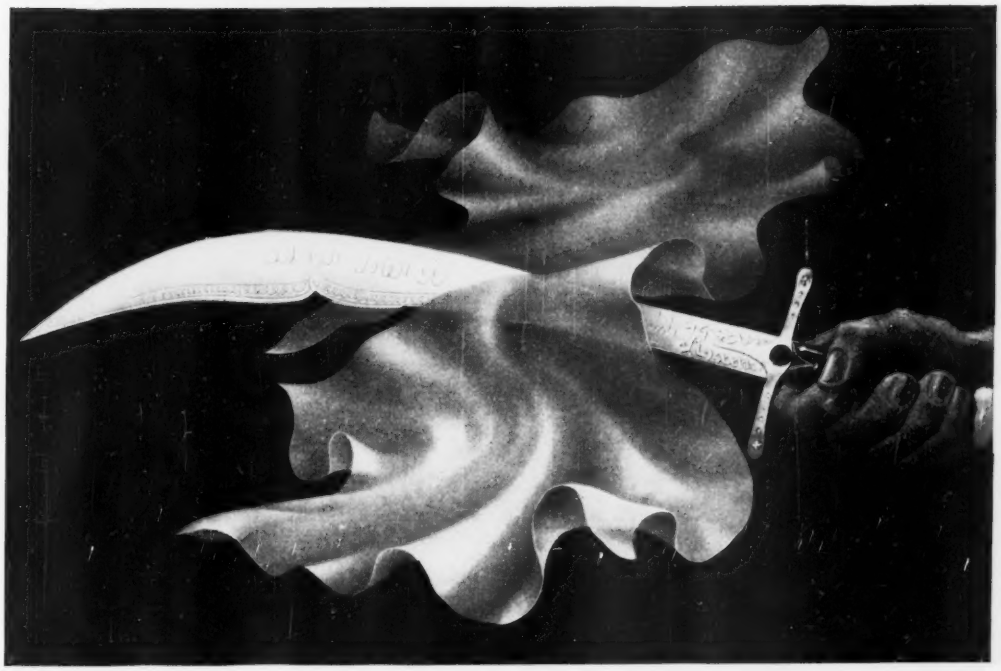
Electric-power output last week failed to equal the comparable week of 1948. That is the first time since 1946 that it has fallen behind the previous year.

Output last week was 5,449,897,000 kwh. A year ago it was 5,481,632,000.

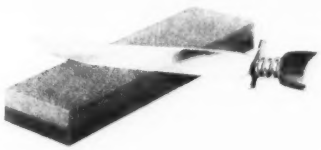
The steel strike explains the drop. But the stage was set for it anyhow. All through 1949 the margin over last year has been getting narrower.

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A stone fit to sharpen Saladin's scimitar



TO demonstrate the might of Christian arms during the Third Crusade, Richard of England split a steel mace with a single blow of his broadsword. Whereupon the Moslem leader, Saladin, is said to have countered by severing a silken scarf simply by letting it settle on the edge of his razor-sharp scimitar.



While you may not want your cutlery *quite* as sharp as Saladin's fabulous scimitar, it's still a fact that the difference between a good blade and a poor one lies in its cutting edge. It's also a fact that knives sharpened on a stone of ALCOA Alumina have *keen* cutting edges.

ALCOA Alumina is aluminum oxide—a crystalline material almost as hard as a diamond—with extremely sharp edges and corners. It is from this characteristic that alumina derives its value as an outstanding, fast-cutting abrasive.*

A material of uniform purity and quality, ALCOA Alumina is only one of the versatile ALCOA Chemicals used throughout industry to make *better* products do a *better* job. Electrical insulators . . . rubber . . . abrasive wheels . . . glass . . . lumber . . . high temperature refractories . . . tooth paste—are but a few of the hundreds of products which have been measurably improved by ALCOA Chemicals.

Maybe we have just the thing to help *your* business. Let us tell you more about these versatile chemicals that others have used so successfully. Write to: ALUMINUM COMPANY OF AMERICA, CHEMICALS DIVISION, 1935K Gulf Building, Pittsburgh 19, Pa.

*ALCOA does not make sharpening stones. Buy cream- to buff-colored aluminum oxide stones from your hardware dealer.

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ALUMINUM FLUORIDE • SODIUM FLUORIDE • SODIUM ACID FLUORIDE • FLUOBORIC ACID • CRYOLITE • GALLIUM



A new Shape for Shavers...

BUT THE SAME CELANESE* PLASTIC



A NEW KIND OF PACKAGE FOR THE SHAVEMASTER

Combination case and cord holder . . . molded of a Celanese plastic and built for long service life.



3-piece motor housing and 2-piece field coil bobbins molded of Lumarith XF—flame and heat resistant cellulose acetate

When the Sunbeam Shavemaster was given its revolutionary new shape, the manufacturer again specified the same Lumarith* plastic formulation that proved so successful in the former model.

The acceptance of Lumarith for a high quality shaver is proof of the advantages this Celanese plastic can give to electrical parts and products:

- **shatterproof toughness**
- **flame and heat resistance**
- **form retention**
- **U. L. approval**
- **color range**
- **production speed**

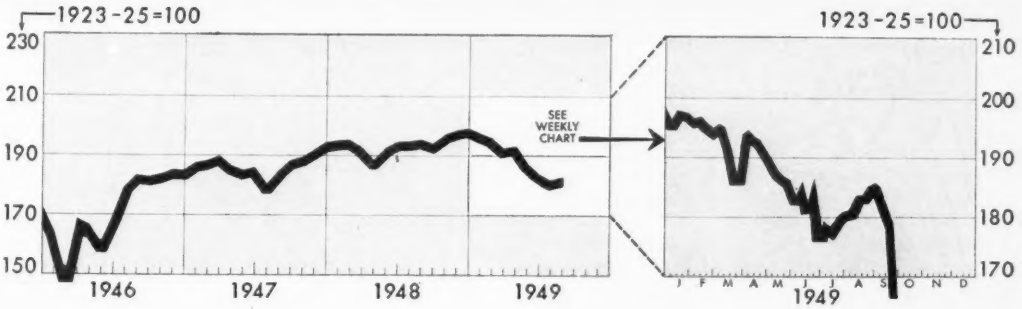
Celanese offers its cooperation in testing and developing this Lumarith formulation for new applications. Celanese Corporation of America, Plastics Division, Dept. 29-J, 180 Madison Avenue, New York 16, N. Y.

Celanese* **PLASTICS**

*Reg. U. S. Pat. Off.

Model W Shavemaster, Sunbeam Corporation. Plastic parts molded by Chicago Molded Products Corp.

FIGURES OF THE WEEK



	§ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Business Week Index (above)	*166.4	†178.8	185.4	195.4	162.2
PRODUCTION					
Steel ingot operations (% of capacity)	93	82	86.6	98.5	97.3
Production of automobiles and trucks	148,072	†151,593	123,806	119,398	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$27,027	$27,541	$26,323	$23,701	$19,433
Electric power output (million kilowatt-hours)	5,450	5,521	5,258	5,482	3,130
Crude oil (daily average, 1,000 bbls.)	N.A.	4,891	4,851	5,535	3,842
Bituminous coal (daily average, 1,000 tons)	304	†338	1,342	2,009	1,685
TRADE					
Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars)	75	75	76	89	86
All other carloadings (daily average, 1,000 cars)	34	35	50	63	52
Money in circulation (millions)	$27,476	$27,348	$27,589	$28,202	$9,613
Department store sales (change from same week of preceding year)	–8%	–8%	–5%	None	+17%
Business failures (Dun & Bradstreet, number)	182	181	148	107	228
PRICES (Average for the week)					
Cost of Living (U. S. Bureau of Labor Statistics, 1935-39=100), Aug.	168.8	....	....	168.5	174.5	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100)	341.0	342.7	348.1	406.1	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	224.8	226.8	229.4	275.0	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	296.7	297.1	305.1	323.9	146.6
Finished steel composite (Iron Age, lb.)	3.705¢	3.705¢	3.705¢	3.720¢	2.396¢
Scrap steel composite (Iron Age, ton)	$26.58	$26.92	$25.75	$43.16	$19.48
Copper (electrolytic, Connecticut Valley, lb.)	17.625¢	17.625¢	17.625¢	23.500¢	12.022¢
Wheat (No. 2, hard winter, Kansas City, bu.)	$2.22	$2.16	$2.15	$2.20	$0.99
Sugar (raw, delivered New York, lb.)	6.00¢	6.05¢	5.99¢	5.61¢	3.38¢
Cotton (middling, ten designated markets, lb.)	29.60¢	29.58¢	30.06¢	31.25¢	13.94¢
Wool tops (New York, lb.)	$1.630	$1.613	$1.706	$1.546	$1.281
Rubber (ribbed smoked sheets, New York, lb.)	16.30¢	16.49¢	18.11¢	22.44¢	22.16¢
FINANCE					
90 stocks, price index (Standard & Poor's Corp.)	125.9	124.2	123.1	126.6	78.0
Medium grade corporate bond yield (Baa issues, Moody's)	3.36%	3.36%	3.37%	3.49%	4.33%
High grade corporate bond yield (Aaa issues, Moody's)	2.61%	2.61%	2.60%	2.83%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	1½–1¾%	1½–1¾%	1½–1¾%	1½–1¾%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	1⅞%	1⅞%	1⅞%	1½–1⅞%	½–⅝%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	46,286	46,457	46,410	46,441	††27,777
Total loans and investments, reporting member banks	66,077	66,062	65,689	62,174	††32,309
Commercial and agricultural loans, reporting member banks	13,434	13,384	13,007	15,311	††6,963
Securities loans, reporting member banks	2,099	2,306	2,190	1,393	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	37,252	37,004	37,378	33,235	††15,999
Other securities held, reporting member banks	5,056	5,060	4,968	4,408	††4,303
Excess reserves, all member banks	1,150	910	1,000	607	5,290
Total federal reserve credit outstanding	14,406	18,397	17,780	23,707	2,265

*Preliminary, week October 8. N.A. Not available at press time. †Revised.
††Estimate (BW—Jul.12'47,p16) §Date for "Latest Week" on each series on request.



"Tell us, Philadelphia—does Democracy really work?"

And they all want to know—as the World Affairs Council of Philadelphia will tell you. Every week thousands of letters pour in from people 'round the world asking, "Does Democracy really work?" And more and more Americans are writing back, telling them in words of one syllable.

"Letters Abroad" is the world's meeting place for adult foreigners and Americans who are getting to know each other, and each other's country, by mail. Already the birthplace of U. S. Democracy, Philadelphia may well become its birthplace for the whole world.

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WASHINGTON OUTLOOK

WHAT DID CONGRESS DO to you —and for you? You can add up the score now, as the long, confused, and confusing session grinds to a stop.

Business can count a number of items of direct concern to be thankful for—things that never got through:

• Taft-Hartley repeal—a key pledge in Truman's book and the unions' No. 1 goal—was defeated (page 109).

But Taft and his coalition had to pay a price to thwart repeal.

Needed changes in the two-year-old law were sacrificed. And nothing at all was done about a problem that is currently troublesome—industry-wide bargaining.

• Truman's proposal to jack up corporate taxes also withered away. But Congress failed utterly to trim government spending—thus setting an inflationary precedent of deficit financing in good times as well as bad.

• The Spence and Murray bills calling for government plant expansion were pigeonholed in committee.

•

On the other hand, Congress did two things that stand out as increasing government's domination over business affairs.

By voting steam plants and competitive transmission lines, Congress established the policy that federal electric power will cut into the private utility business just as deep as appropriations will carry it.

And, as a step aimed against business concentration, the House passed the Kefauver-Celler bill to ban acquisition of corporate assets where FTC deems the deal monopolistic. Senate approval next year is sure.

•

Pleasing some businessmen and displeasing others, Congress extended the Hull reciprocal-trade law to June, 1951, shorn of last year's Republican-imposed strings.

But Congress left up in the air the legality of freight absorption and delivered-pricing policies. The O'Mahoney bill to make individual freight absorption legal got stuck in a tangle resulting from attempts to protect the little fellow from price discrimination.

•

The welfare-society proposals Truman campaigned on last year got a big push along in this Congress.

• Social-security programs were made more generous. And omnibus legislation, stretching government old-age insurance and public assistance to the self-employed and other new groups, was fashioned by the House, sent over to the Senate for attention in 1950.

• Direct federal subsidy of housing was established by this Congress. Government aid will apply to slum clearance and low-rental units this year. Middle-class housing is next; legislation is in shape for a vote in 1950.

• Minimum pay was jacked up to 75¢; that brings the old 40¢ minimum up even with the cost-of-living, plus 10¢ to 15¢.

• Veterans benefits were increased, and pensions for World War I soldiers were voted by the House.

• Direct federal subsidy of teachers' pay was voted by the Senate, got hung up temporarily in the House by the religious argument over who gets the money.

• Compulsory medical insurance was sidetracked. But Congress put government deeper into the job of watching over the nation's health by: (1) doubling the federal contribution to hospital construction; (2) extending Public Health Service facilities, particularly in rural areas; and (3) voting new funds for medical-school scholarships.

•

In foreign affairs, this stands out: Senate ratification of the Atlantic Pact formally ends the U. S. tradition of avoiding entangling alliances with Europe.

To back up the 20-year treaty, Congress voted the first $1-billion of an arms-aid program for the pact allies.

•

NEXT YEAR?

The big thing on social legislation will be to clean up business that got half-way this year—broadened social security, teacher subsidy, more housing. You may also get the first voting test for compulsory medical insurance.

Taxes loom as the biggest domestic business issue—if only a shift that would cut some excise taxes with a compensating increase in corporate income taxes. The matter of balancing the budget by boosting taxes or cutting government costs will be up again, of course. But 1950 is an election year; so don't count on much.

Even more than domestic issues, foreign-policy decisions are likely to dominate the session. There is the third-year ECA money and the second-year arms aid. And at least two controversial new issues are building up: (1) guardianship of India and a Pacific

Pact; and (2) sharing atom know-how with our allies.

•

ATOMIC PARTNERSHIP with Britain and Canada will be Truman's program to keep the West ahead of the East in atom development.

This is what has been worked out in the atom talks that have been going on quietly in Washington for several weeks (BW-Sep.3'49,p15).

It means: The U. S. all but abandons hope for any sort of international atom control, even now that Stalin has a bomb, too.

Equally, it means: The U. S. modifies its policy of strictly secret development of the atom. This would permit the British and Canadians to see what we are doing, let us find out what they have learned.

At the outset, in such an exchange, the U. S. presumably would get data that could speed atomic-power research; the British, since the wartime partnership was broken, have specialized in this. From the U. S., Britain would be looking for bomb know-how.

•

Formal proposal of the partnership scheme to Congress—probably next January—is sure to touch off another atom debate as loud and as bitter as that which resulted in the McMahon act.

That is because, inherent in the idea of sharing knowledge with Britain, is the need to give foreigners some of our knowledge. The argument that we get something in exchange will hardly satisfy the nationalists.

And this issue of "giving secrets away" will have to be argued out against a backdrop of two domestic atom issues already coming up within the next year:

(1) Russia's bomb gives the militarists a new argument for military, instead of civilian, control. Atoms, they say, must now be exclusively a weapon, like ships and guns.

(2) The stormy tenure of AEC Chairman Lilienthal and his colleagues runs out next year on Aug. 1.

•

EX-SEN. CARVILLE is getting behind-the-scenes support from Truman Democrats as Sen. McCarran's opponent in Nevada's primary next year. McCarran is in the doghouse for the way he has run the Judiciary Committee; particularly for sitting on the displaced-persons bill.

Also, Rep. Mike Monroney is about ready to try to unseat Sen. Elmer Thomas in Oklahoma's Democratic primary.

WHOLESALE PRICE INDEXES, compiled by the Bureau of Labor Statistics, are going to be given a major overhaul to shake out warbred dislocations.

This is particularly important to you if you make long-term contracts with the price tag set in terms of an index value at the date of delivery. Over $100-million worth of such contracts are in force right now.

•

The index overhaul is being undertaken with money specially granted by Congress. The job will take at least a year.

In the end, some of the present commodity indexes will be dropped. Others will be merged or split. Still a third group just won't show data comparable with what is now being reported.

So BLS advises: On any contracts calling for delivery after 1950, you had better make alternative provision for settling on price.

•

IF YOU'RE BARGAINING with your union on health and welfare issues, you may want to see what other contracts say. The Bureau of Labor Statistics has a pamphlet containing nearly 400 clauses from existing contracts.

It's free. Write BLS, Division of Industrial Relations, Washington 25, asking for: Employee-Benefit Plans, Part I. (Part II, covering pension clauses, is coming out soon.)

•

A SUPERSONIC FIGHTER FORCE by 1953 is the Air Force plan for stopping any Russian atom-bomb attack.

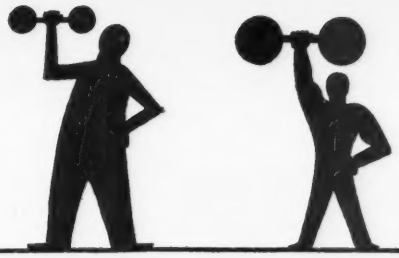
The program calls for 11 groups (825 planes) of high-altitude, faster-than-sound fighters. Cost per plane: $500,000.

The Air Force has three prototypes already flying to choose from. The leading contender for the job—Lockheed's XF-90—already has test-flown faster than sound. The other two—Republic's XF-91 and Convair's XF-92A—are designed to do it, too.

•

DEAN RUSK WILL SUCCEED Jim Webb as Under Secretary of State if Webb accepts Sen. Frank Graham's old job as president of the University of North Carolina.

Rusk, now Deputy Under Secretary, already is getting to be known among the Embassies as the man to see at State.



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BY USING HIGH STRENGTH— LOW ALLOY STEELS Containing NICKEL

Many fabricated structures may be improved by redesigning to utilize the excellent mechanical properties of high strength low alloy steels containing nickel.

These steels provide:

1. **High strength in the as-rolled condition, permitting important weight reductions.**
2. **Excellent response to such fabricating operations as forming and welding.**
3. **Good resistance to corrosion, abrasion and impact.**

Sheet gages may be cold-formed into structural panels that assure maximum weight reductions without sacrifice of strength or safety.

These nickel alloyed steels have gained wide popularity by reducing maintenance, extending service life and eliminating thousands of tons of deadweight.

Produced under various trade names by leading steel companies, high strength low alloy steels containing nickel along with other alloying elements, have established notable performance records. Consult us on their use in your products or equipment.

* *

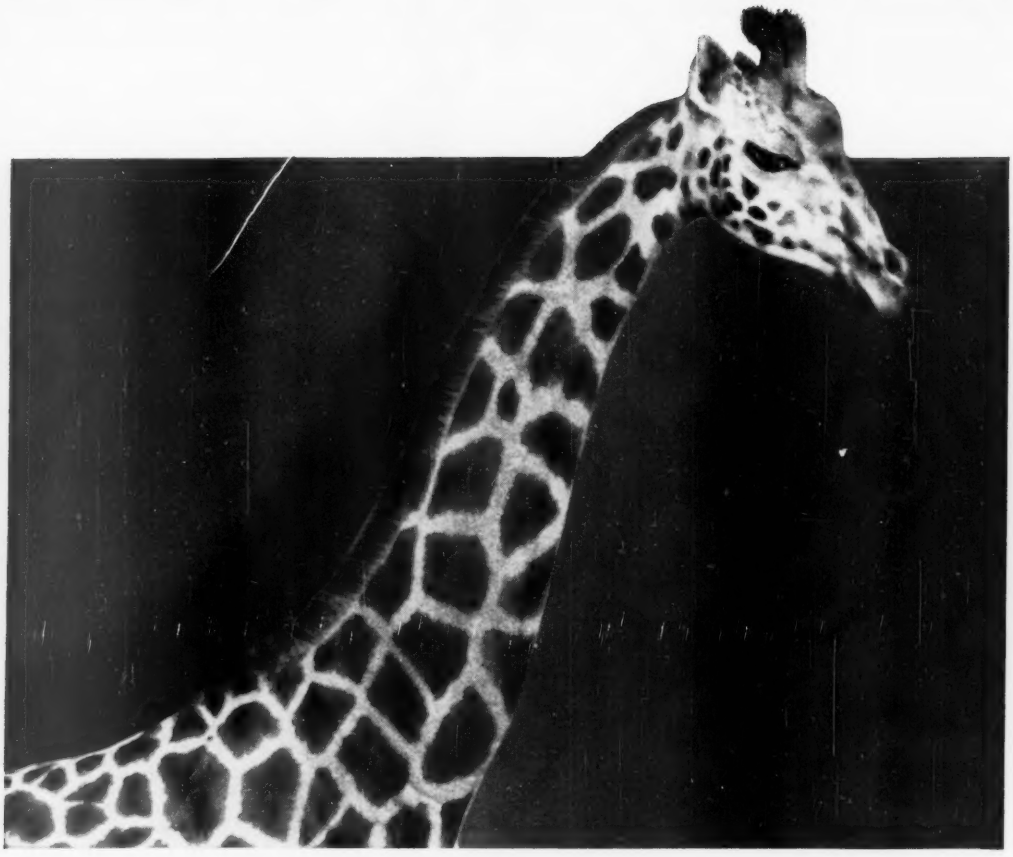
Don't Forget...

INCO BOOTH NO. 302

Jot down—"INCO Booth, No. 302"—in your memo book of companies to visit at the **NATIONAL METAL EXPOSITION,** at the Public Auditorium in Cleveland, Ohio, October 17th to 21st. Convenient facilities for discussing your problems with our metallurgists and foundry specialists will be available.

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Sorest distance between two points

An Ohio zoo had large animal trouble.

Their giraffe couldn't stand drafts. And both he and the elephant continually tangled with high-speed heater fans, placed dangerously low. Problem: to get a really efficient heating system that would be safely out of reach.

Then Trane equipment came into the picture. Now Trane Projection Unit Heaters are spaced down the center aisle of the zoo building, all twenty feet or more above the floor. The room is heated evenly. And all the occupants are happier and safer, thanks to the same equipment that makes air more efficient, more comfortable, more usable in thousands of offices, stores, plants.

Perhaps your problem is not concerned with a hoarse giraffe. But—if it has to do with air—Trane engineers know air. How to dry it, humidify it, warm it, cool it, clean it or move it. Your costs may be cut, or your production stepped up by getting an air analysis and recommendation. Your local Trane representative will be glad to work with your own architect, engineer, or contractor.

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MANUFACTURING ENGINEERS OF HEATING AND AIR CONDITIONING EQUIPMENT...OFFICES IN 75 CITIES

TRANE
THE HOUSE OF WEATHER MAGIC

BUSINESS WEEK

NUMBER 1050
OCTOBER 15, 1949



NEW HOME of Mr. and Mrs. George Nix in Yonkers, N. Y., approximates average 1949 house. The average is smaller than in 1948, but because more were built, it helps make . . .

1949: Record Housing Year

Signs point to 950,000 new housing starts this year. Boom gives lift to materials suppliers, furniture and appliance industries. New building methods bring new manufacturers into picture.

The year 1949 saw recessions in some industries—but not in housing. A BUSINESS WEEK survey this week found that housebuilders everywhere are putting up more homes this year than last—and they're selling them fast.

• **Record Year**—There's no stopping the boom. Everyone figured August for the turning point; in September the rush of business should start dropping off. But this week the Bureau of Labor statistics added up the number of new houses started in September. It was higher than August—100,000 against 98,000, matching the June peak. The conclusion is inescapable:

This year builders will break the all-time record for starting new houses which has stood since 1925.

• **Upturn**—It would have been hard to find anybody talking so hopefully about building prospects four or five months ago. In spite of mild weather, housebuilding got off to a slow start this year. Month by month 1949 trailed 1948 all the way through May.

Then, in June, the month when housing starts turned down in 1948, the figure for this year hit its peak. And it has kept above 1948 ever since. In the Chicago area, for instance, a mid-summer pickup sent total starts about 10% ahead of last year.

That seems to be a countrywide pattern. Nonfarm housing starts for September, according to BLS figures released this week, show an even wider margin over last September. Even a pessimistic estimate for October, November, and December would put this year's total even with 1948's high of 931,100 starts. Realistically, chances are good that this year's total may hit 950,000 starts, beating the 25-year high of 937,000 set in 1925.

• **Industry's Gain**—This isn't just the housebuilders' gain. A boom in housing means plenty of business in other industries—as a glance at the chart on page 20 shows. Housebuilding this year will consume nearly 60% of all bricks produced in 1949, about $73-million worth. Almost 10-billion b. ft. of lumber will be used for house frames and sidings, over 31% of the total production of the lumber industry for this year. And builders will buy about $25-million worth of nails and staples to lock that lumber together.

But these are only a tiny part of industry's products that feel a lift during a good housing year. New houses require complete furnishings from rugs to rafters, and a complete set of appliances. It's a pretty sure guess that 950,000 houses built this year will need somewhere near 950,000 refrigerators, 950,000 stoves, at least 950,000 sinks, and probably 950,000 bathrooms. Pile on the added demand for washing machines, electric lights, radios, and you get some idea of how far the echoes of the boom carry.

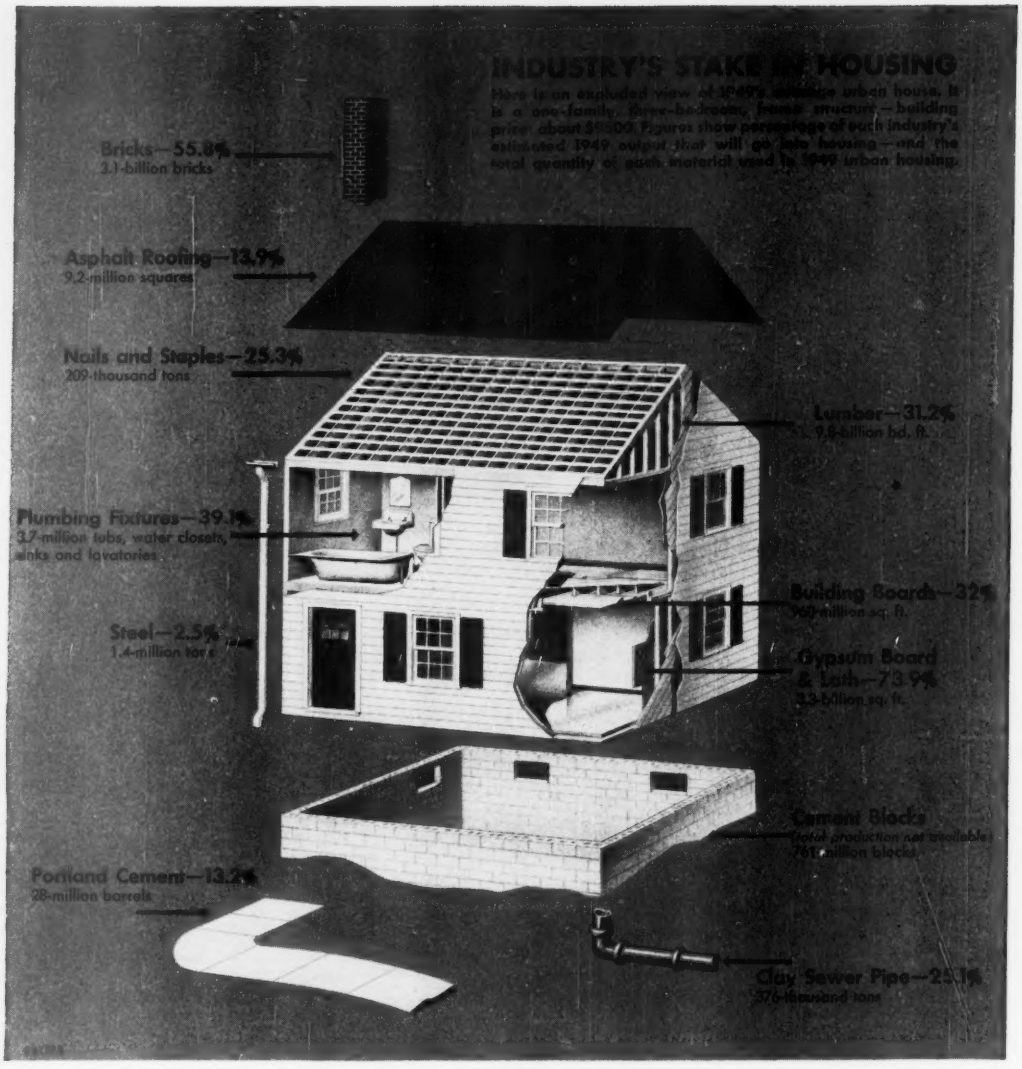
• **Boom for Suppliers**—BUSINESS WEEK checked suppliers of building materials, furnishings, and appliances in key building areas this week to find out what the building boom is doing to sales.

One large home-appliance dealer in Atlanta said his sales are about 10% ahead of last year. He says that housewives are demanding automatic water heaters, refrigerators, dish and clothes washers, stoves, and steel sinks and cabinets. "If they're not included in new homes, wives go out and get them. They're no longer a luxury, but a necessity with the housewife."

• **Big Doings**—In San Francisco, Sterling Furniture Co. reports that construction volume of homes and apartments "is something wonderful to behold." Before the war, Sterling kept a vigilant eye on new construction; it watched utility switches that indicated a move from one home to another, and kept in touch with moving-van companies; it even kept a list of rental vacancies so that it wouldn't miss a chance to do a selling job on people looking for a house. But now Sterling says that construction is moving so fast that the company can't follow up anything but leads on new homes.

• **Manufacturer vs. Dealer**—Appliance makers in the San Francisco area are doing a whopping business, too. But appliance dealers there say their business is something less than whopping. They claim that manufacturers skim the cream off the new-housing field by selling direct to builders and remit a mere 3% to 5% to dealers for handling paper and fulfilling service guarantees.

The same complaint pops up from Indianapolis. Says Robert Webber, owner of the Webber Appliance Co., "All these new houses don't make much business for us. Why? Because



the contractor usually buys appliances direct from jobbers. We're just bypassed. This isn't right."

• **New Industries**—It used to be that building a house was almost entirely an on-site job. An army of carpenters and plasterers did the whole thing by hand. Now with new designs and building techniques, a lot of materials are made in factories, maybe hundreds of miles away. This trend means that a whole industry of building-materials manufacturers has grown up in the last 15 or 20 years to supply these prefabricated materials.

Take dry wall construction, for example. All you do is lay slabs of wall board against the wall and paint or paper them. With plasterers getting up to $3 an hour, this type of wall finish is a big saving for builders—and a popular product for manufacturers.

• **More Glass**—Glass takes up a lot bigger share of the total wall area of homes than it used to. People are building smaller houses, so they are going in for picture windows to escape a boxed-up feeling. That means more work for the glass manufacturer.

Other construction changes bring other manufacturers into the housing picture. Cement block often replaces poured concrete. Metal or gypsum lath may be used instead of wood. There's a bigger call for insulating materials and prefabricated metal window frames. Shingles are often composition instead of wood.

• **Prospects for 1950**—With more and more industries finding big markets in new-home construction, it should be comforting to note that nothing in this 1949 housing boom points to a sharp drop-off soon. Everywhere builders report encouraging prospects for 1950.

In San Francisco, for instance, builder David D. Bohannon expects to build and sell a total of 400 houses this year. That's a shade under 1948, but it's just about half of what he has planned for 1950.

Most bullish comment comes from a St. Louis builder: "It'll take us five years to catch up with demand."

A. & P. a Consumer Co-op?

Rumor says that's the plan if the government wins its antitrust suit. But the rumor doesn't make too much sense. On government figures, retail operation would need tight management.

Suppose the government wins its latest antitrust suit against the Great Atlantic & Pacific Tea Co. (BW–Sep. 24'49,p25): What then? Last week Washington columnist Robert S. Allen thought he knew. He quoted A.&P.'s president, John A. Hartford, as saying:

"If the government wins . . . I will convert the whole works into the biggest consumer co-operative you ever saw. I'll sell shares in the enterprise to the people of our country, and they will get tax-free patronage dividends. . . . If it is illegal to run the business the way we are doing it, then we will run it on a legal tax-free basis."

• **Trend?**—Congress promptly took a look at this. Rep. Noah M. Mason (Ill.) thought he spotted what might be a dire trend:

"Shift of A.&P. from taxpayer to tax-exempt would cost the Treasury nearly $15-million a year. . . . And that is by no means all, for I am informed that publication of Mr. Hartford's announcement brought immediate reaction from a score of other big companies that said, 'We'll go co-operative, too, if we can avoid taxes that way.'"

• **Question**—Would A.&P., indeed, propose such a drastic step if the government once more succeeded in hauling it over the coals? A.&P. itself denies that Hartford ever made the statement, or that the co-op idea is even a glimmer in his eye.

Some cynics, to be sure, are inclined to take the denial uncharitably. What else, say they, could Hartford do? He is trying to steam up public sentiment against a bust-up by the government. So even if a co-op were the surest thing in the world, Hartford would still have to play it down. Otherwise, the public might figure: "Let 'em lose the suit; we'll get a co-op that's just as good."

• **Fact**—Soberer reflection, though, would indicate that the cynics are figuring too sharp.

The fact is that if A.&P. asked itself the business-like question, "What would we get out of a consumer co-op?", the business-like answer would have to be, "Not much—if anything."

For the record of consumer co-ops in the U. S. has been puny. The House Committee on Small Business found there were only 4,285 retail distributive groups in 1944. They had a mere 1.5-million members. Their total business was almost pitiful: half a billion dollars (BW–Apr.27'46,p74).

All of which seems to show that consumers—especially the city kind—are too fickle to ride along with a co-op until it pans out.

• **Conversion Troubles**—What's more, there's some question of how readily the vast A.&P. chain would lend itself to conversion. In its first antitrust action, the government claimed that in 1941 over 10% of A.&P.'s 6,000-odd stores were in the red. What would a co-op do with the money losers? Or those with a hair-thin profit?

In the same vein, the government has tried to show that A.&P.'s retail operations aren't much of a rose, anyhow. The real money, says the Justice Dept., is in A.&P.'s manufacturing activities. Out of a profit of better than $26-million in 1941, the retail stores allegedly produced a bare 11%. That would hardly augur a successful co-op.

And finally, unless A.&P. (the manufacturing end) had some assurance that the co-op would (1) have solid, efficient management, and (2) do the bulk of its buying from A.&P., it might do better to string along with some other plan.

• **Alternative**—At the moment, the only other plan is the one the Justice Dept. has cooked up. It would make hash of A.&P. The manufacturing division would be split off. The wholesaler and jobber divisions would be killed outright. And the retail chain would be sawed up into seven regional groups. Thus, you would have:

• A bunch of smaller chains, each stuck with its share of money-losing stores and low-profit operations.

• No more Atlantic Commission Co. (In 1941, says Justice, Acco brought in a profit of $1.9-million.)

• A manufacturing division no longer welded to retail outlets. (In 1941, the manufacturing division supposedly made a rousing $11-million profit.)

• **Red Ink**—Each of these remaining divisions would now lose the benefits of integration. The red ink that A.&P. can cover up under a deep layer of black as long as it remains one big unit might begin to stand out.

For instance, what would the regional chains do with unprofitable stores, once retail profits have to stand alone? If they kill them, sales drop. If they raise margins, prices rise.

Similarly, what if the regional chains cease handling everything that the manufacturing divisions make? Again, the mass of sales at the manufacturing end might do down, and prices could go up.

• **Policy**—What it all adds up to is that in a vast integration like A.&P., any kind of split-up is like removing some wheels from a 21-jewel watch.

How Long for Steel? Watch Coal

The steel industry's advice to its customers—not to count on deliveries from struck mills before Thanksgiving—is a pessimistic estimate of how long the steel strike will last. It means that the steel companies hope they can hold out that long against the immense pressure soon to be directed against them.

The companies hope that before the pressure becomes too great the union's position will soften and that it will accept the principle of contributory pensions.

Most outsiders consider this a forlorn hope. They point to the Administration's past record of intervening heavily on the union's behalf once a big strike begins to pinch. And they attach some significance to the speech-making trip through the steel towns Philip Murray launched this week. This unusual—for Murray—maneuver, is designed to keep strike ranks solid for a long pull and impress the companies with the fact that the union's present position is an irreducible minimum.

• **Pressure**—This week the steel companies heard their first cries for help from their customers. In another ten days there will be a mighty chorus, as dozens of steel-using industries see inventories dwindle.

Next week, too, it is expected that Truman will open up on management. His economic advisers tell him a protracted strike will send the economy into a tailspin—and it won't be Murray to whom Truman gives the hotfoot. If blasts at the "stubborn" steel companies prove ineffective, government seizure of the mills is not impossible.

• **Watch Coal**—But any steel-strike settlement will leave the economy under a threat while the coal strike still goes on. If the mills reopened now, they would face another banking-down within a month because coking coal isn't being mined. That's why Washington's conciliation efforts are directed first at the snarled-up negotiations in the coal industry, about which John L. Lewis has so far maintained an inscrutable silence. If Lewis cannot find a way to peace with the mine operators, Truman may be forced to invoke the Taft-Hartley act and enjoin the strike's continuance.

For a clew to a break in the steel situation, watch coal.



IDEA For show came from Architect Alexander Girard, sitting in a room at the show which he helped create. But the . . .

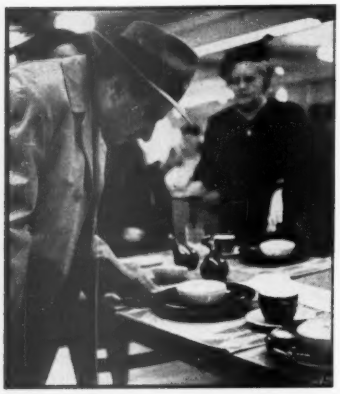


BACKING To put it across came from Detroit's J. L. Hudson Co., whose Vice-President Webber looks over plans.

Department Store Plugs Modern Design

Such a show could hardly have been held in Detroit 10 years ago, or in any hinterland city. For one thing, the general public would have been sure that the objects on display had been imported from Mars. For another, even a department store of the stature of J. L. Hudson Co. would never have risked backing such a show; it could well have made them the laughing stock of the city.

• **Biggest Show**—But this week an exhibition of modern design—probably the biggest, most comprehensive ever held anywhere—was in its fifth week in Detroit. It is scheduled to go right on through to Nov. 20. So far, 75,000 people have gone to Detroit's Institute of Arts to see it.



HUDSON'S department store, backers of the show, sells items of modern design like those on display at institute.

On show: more than 3,000 objects—furniture, kitchenware, fishing tackle, toys, dog leashes. Their common characteristic: They are strictly modern both in design and in material.

Alexander Girard, Detroit architect and one of the leading U. S. modern designers, is the director of the exhibition, which is called "For Modern Living." His advisory committee is made up of some authorities of equal caliber, including people like Florence Knoll, designer of Knoll Associates, New York; Edgar Kaufmann, Jr., an official of the New York Museum of Modern Art; and Gordon Russell, director of the Council of Industrial Design, London, England.

The most significant thing about the show—aside from the fact that it was drawing big crowds—was that it was being completely financed by J. L. Hudson Co. Best guess as to what this is costing the department store: $75,000. Moreover, James B. Webber, Jr., vice-president and general manager of Hudson's, had been one of the show's main instigators.

• **Reasons**—What has happened in the last 10 years? Modern art has moved out of the museum and into the market place. It has been put to use giving household styles functionalism and character.

Proof of this development lies in the show itself. Every object in it can be bought at retail at stores somewhere in the U. S.

For this reason, the current exhibit probably gives the first all-around picture of modern design on a practical basis.

• **New Beauty?**—The exhibit was planned that way. Said Edgar P. Richardson, Art Institute director and chairman of the exhibition: "We have chosen a group of able and distinguished designers and put these questions to them: . . . Can you, using modern technology, modern materials, give us a new and better setting for our daily lives? Have you, or have you not, discovered a new style—a new idea of beauty—which will be the expression of our age as other ages of the past created their styles?

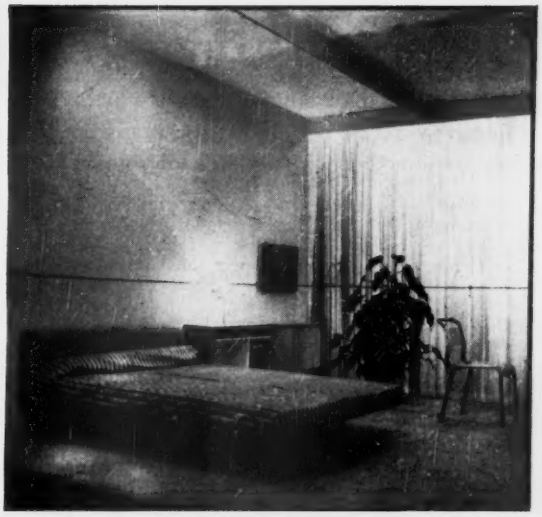
"This exhibition is their answer to these questions."

• **Better Footing**—Its directors believe that the success of the exhibition lies mainly in this: It shows that modern design is on a much more solid footing than it has been in the past. They frown on the whole idea of interior decoration, for example, as being too external. "It is something stuck on or added. It is an attempt to achieve beauty by manipulating something which is already made . . . the best modern design, whether of houses or automobiles or toasters or furniture, eschews mere decoration. It works, not from the outside, but from the inside outward."

A lot of people feel that most U. S. design is still a long way from reaching such a high goal. They say that if the design of the average postwar product is any criterion, we live in an era of atrocious bad taste. The Detroit show is out to prove these skeptics wrong.



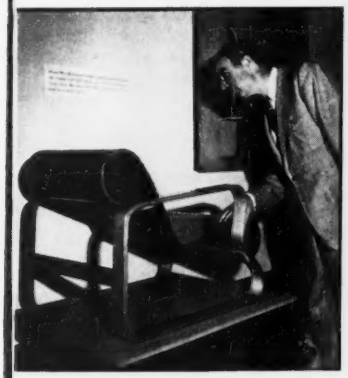
RESULT: Entrance to main exhibit is around edge of modern-style patio. Off ramp around it are rooms, one of which is . . .



BEDROOM, which has clean-looking, severe lines. Medieval painting on wall is to show how old blends with new.



CASE STUDY: Development of chairs since last century was shown in array of periods culminating in . . .



WOOD MOLD for a new chair type. It's supposed to show how . . .



COMFORT and striking appearance can be combined by making design of the chair conform to natural body lines. This was a major theme of the show.

"Depressed" Lines Perk Up

Most of the industries that were hit hardest by this year's recession have come back strongly. Output is up; backlogs are back; prices are firm. Outlook, barring a long steel strike, is good.

The 1949 recession was a selective affair. Autos (page 26) and housing (page 19) never knew it was there. Other industries—appliances, paper, lumber, textiles—really took a licking.

If you need any further proof that the 1949 recession is over, a look at that second group should be the clincher. A BUSINESS WEEK survey this week revealed that practically every branch of those four industries has turned up since midsummer.

Prices have firmed or have turned upward. Five days' work a week has taken the place of three in some cases; two shifts have replaced one in others. Order backlogs have reappeared—substantial ones in some cases. And the outlook for 1950—barring a long steel strike—is uniformly good.

• **Destocking**—The recession—so far as these industries are concerned, at least—was caused by destocking. During the postwar sellers' market, processors and distributors all along the line built up large inventories. As long as the boom continued, as long as prices held firm or continued to rise, they kept stocks high.

But at the beginning of the year prices began to weaken, and everyone turned cautious at once. They had enough stock to hold them for a while—until they were sure prices weren't going down any further.

Along about midsummer two related things happened: (1) The last of the accumulated inventories disappeared; and (2) prices firmed. Everybody started buying again. That solidified prices still more. The result was such a flood of orders in some lines that backlogs reappeared almost overnight.

Here's the picture by industries, as revealed by the BUSINESS WEEK survey:

I. Textiles

This industry is the classic example of the inventory-sparked declines. Retailers cut their orders to manufacturers, who cut their orders to mills, who cut output. But all this time consumer buying hardly dropped; it usually exceeded retailer buying. So retailers, going into their fall season, found their stocks low. Result: They demanded immediate delivery and, all down the line, orders have spurted since mid-August.

Take cotton yarns, for example. There has been a pronounced pickup in business, particularly in recent weeks. Many mills are sold out through the end of the year; the rest of them well into December. What's more, demand and backlogs are still increasing slowly. As a matter of fact, some producers are fighting shy of backlogs; says one: "We are not booking much first-quarter business, because prices are still quite low. We are hopeful that the price situation will improve with increased demand." (Yarn prices today are 2¢ to 5¢ per lb. above the July lows.)

Most other branches of the textile industry report similar patterns. Here's how things look in some of them:

Cotton grey goods. Most mills are sold out through this year, and many are sold well into the first quarter of 1950. Prices have advanced on a broad front, and are still strong.

Rayon. Goods prices are still strong, after advances of as much as 12¢ a yd. over the July lows. Mills generally are sold through this year; the first-quarter outlook is bright. The situation in yarn and fiber is reflected in this week's statement by American Viscose Corp.: Deliveries through November are being allocated (three months ago Avisco was filling orders from stocks on hand).

Woolens and worsteds. This branch breaks down into two parts: men's suitings and women's suitings and coat materials. The women's-wear trade is good; men's-wear business is not.



TV Tubes Now Square

A new all-glass television tube, rectangular in shape, was announced last week by American Structural Products Co., subsidiary of Owens-Illinois Glass Co. The new tube wastes no picture area, since it is designed with dimensions in exact ratio to the telecast picture (4 by 3). The new tube will permit more compact design of receivers, costs no more than the conventional round tube of comparable picture size.

II. Appliances

The appliance situation is spotty.

Makers of refrigerators and of the small appliances (toasters, waffle irons, etc.) are just getting into the Christmas selling period, and they are starting out with very low stocks. Normally, retailers and manufacturers would have built up stocks by this time. But because they miscalculated the market this spring, manufacturers (of refrigerators especially) have been hard put to keep up with current consumer sales, let alone stockpile for inventory. According to the National Electrical Manufacturers Assn., refrigerator inventories of manufacturers and wholesalers at the end of March totaled 725,000 units. By the end of July they had dropped to 323,000. So factory shipments today are running 1% to 2% ahead of last year.

The same thing is generally true of the small appliances. Proctor Electric Co. had a good first quarter; then a sharp slump. Now it reports a sharp revival in orders for its toasters, with current production running way behind demand. Sunbeam Corp., which makes a full line of small appliances, says sales have picked up strongly in the past few weeks. It expects a shortage situation by the end of the year.

On the other hand, ranges are not moving too well. Vacuum cleaners and washing machines have stopped dropping but pickup has been moderate.

III. Paper

The downtrend in the paper and paperboard industry started at the beginning of the year; output reached abnormally low levels in the seasonally dull month of July. But August brought a sharp rise, and production today is back around January levels.

The American Paper & Pulp Assn. reported January paper output at 94.6% of capacity. By July, the figure had dropped to 72.2%; for the first week of September it was 91%. Similar figures for paperboard: January, 88%; July, 64%; September, 89%. Prices on most grades have solidified.

IV. Lumber

Production of lumber has increased sharply since the second quarter. Record activity in housing is partly responsible; some of the rise in output is also due to the price situation. Prices in August were about 13% below a year ago, according to the Bureau of Labor Statistics. At that level, dealers figured it was safe to start putting in inventory again. As a result, prices turned up.

Ore Decision

Iron-ore group plans beneficiation plants for 10-million tons of low-grade ore. It's one answer to Mesabi exhaustion.

Promise of a solution to industry's biggest supply problem came from Cleveland this week. The problem: Where can we get enough iron ore?

For decades, our steel-using economy has been built on cheap, high-quality ore out of the famed Mesabi range. Now the end of that ore is getting too close for comfort. Some companies—notably U. S. Steel—still can see reserves a long way ahead, probably for another 25 years. But other steel producers are not that well-fixed and must see new ore supplies in sight in a few years.

• **Choices**—The steel industry seems to have only two alternatives:

(1) It can rely more heavily on imported ore—from Laborador (BW—Sep.11'48,p40), from Brazil, Venezuela, and elsewhere. This course calls for huge dollar investments, raises questions of national defense, and over the course of time, might involve moving large hunks of the steel industry toward tidewater.

(2) It can develop equipment to use lower-grade domestic ores. This requires the perfecting of satisfactory recovery techniques and the erection of plants to process taconite (iron-bearing rock). That might not cause the steel industry to move around as much, but it would probably involve even larger investments than foreign-ore developments because it would introduce a whole new stage into steel production.

• **Clew**—Cleveland's promise was hidden in an application filed this week by the Erie Mining Co. with the Minnesota Department of Conservation. Erie wants to obtain a sufficient water supply for proposed ore beneficiation plants with capacity to produce up to 10-million tons a year of concentrated iron ore. A plant of this size would probably cost something like $150-million.

Erie Mining Co. is operated by Pickands Mather & Co., for itself and for the account of Bethlehem Steel Corp., the Youngstown Sheet & Tube Co., and Interlake Iron Corp. President Elton Hoyt, II, wouldn't say definitely that the proposed large plants will be built. He explained that it was necessary to file the application because expensive engineering studies cannot proceed unless water is assured.

Hoyt's statement is being interpreted as meaning that Erie is now pretty well satisfied with operations of its pilot plant (BW—Jul.17'48,p52). It was put in operation last year on the Mesabi range near Aurora, Minn. The proposed new plants would be located near it.

• **In Stages**—The first plant would have capacity to produce 2.5-million tons of concentrates a year. This means mining and processing 7.5-million tons of taconite. If the first plant is successful, a similar unit would bring the capacity to 5-million tons.

Erie is looking ahead even further. As the supply of available direct-shipping ores becomes scarcer, other units or another separate plant will be added to produce an additional 5-million tons a year.

• **Three to One**—The process now in pilot use reduces three tons of taconite rock to one ton of ore containing from 63% to 65% iron. It separates crude taconite magnetically from the waste material after a series of crushing and grinding operations. The iron particles then have to be converted from a powder form to make the ore usable in a blast furnace. This is done either by sintering or pelletizing.

• **Pelletizing**—Sintering is a satisfactory method but might be too expensive since the coal used in the process would have to be shipped in. Pelletizing would be a simpler and cheaper process but there still are a lot of bugs in it. In pelletizing, the concentrate is rolled into roughly spherical balls in a rotary drum and then baked at high temperature in a pelletizing furnace.

What's Happened to Consumer Spending Plans

	Percent of Spending Units		
	Will Buy	Probably Buy	Won't Buy
Autos			
Early in Year	9	4	81
Midyear	11	4	79
Other Durables			
Early in Year	17	6	68
Midyear	16	6	73

No Drop in Consumer Buying Plans

Updating of Federal Reserve survey shows recession didn't alter their ideas on buying autos and other durables.

The recession talk that dominated the first half of the year hasn't frightened consumers a bit. People still have plenty of money—and they still intend to spend it for the goods they want.

• **Updating**—That's the comforting news reported by the Federal Reserve Board this week. Conclusions are based on an updating of the board's fourth annual survey of consumer finances (BW—Jun.18'49,p19).

The recheck was made in July, at a time when the business outlook was at its darkest; consumers then might have had plenty of reason to worry about falling income.

Yet, according to the recheck, consumers expected to buy at least as many automobiles as they planned to earlier in the year. And while their demand for radios, washing machines, and stoves was down a little, there was an offsetting increase in plans to buy television sets and furniture.

• **Assets and Income**—The board's experts didn't ask consumers this time how much they had in liquid assets to back up their buying demands. But when the regular survey was taken last January, consumers reported big hoards of purchasing power in the form of government bonds or bank accounts. And Commerce Dept. figures show that the savings picture hasn't changed much since.

In fact, in July some 56% of all spending units based their decisions to buy on the feeling that their total income this year would be larger than in 1948. (The survey defines a spending unit as a group of people living under the same roof and pooling their incomes for major expenses.)

• **Clouds**—Nevertheless, the Federal Reserve Board experts were careful to call attention to these small clouds on the horizon:

(1) Roughly, 10% of all spending units were seriously affected by the business readjustment—through shorter hours or job layoffs.

(2) Some 35% reported that they were making less money this year than in 1948.

Consumer attitudes about current economic conditions weren't so optimistic at midyear as they had been earlier in the year. Only 7% thought we were having good times, against 30% at the time of the annual survey. Even so, only 5% in July thought that bad times had set in.



FIELD STOCKS of unsold cars now total close to 600,000—a postwar record and evidence of the turn in the automobile market that makes . . .

October: Climax in Autos

By this month industry will have built more cars than in any full year in history. But from now on competition will be back, and each automaker is getting ready for the battle.

The auto industry never had it so good. Profits have been fat. Sales totals have been just plain brilliant. And as for production, some day late this month total output will shoot right past the all-time record for a full year's production—5,621,045 cars, hung up in far-off 1929. There's enough steel stacked up in Detroit to guarantee that much, despite the strike.

This is the climax month. In Detroit, auto men recognize that the steady upward movement in effect ever since the war ended is over now—steel strike or no. The prewar way of business is coming back. Maybe it won't be quite as prewar as in the thirties, but certainly the frenzied war and postwar decade is over.

I. The New Climate

The economic climate is changing, at the factories and among the dealers. There are a lot of things auto men have to consider that they haven't worried about for a long time.

Seasonal buying: Traditionally, spring and summer are the heavy car-buying seasons. Things slack off in the fall. The winter is quiet. This pattern is already setting in; only a few weeks ago the New York State Auto Dealers' Assn. urged factories to stop pushing cars at dealers.

Cheaper cars: In prewar days lower-priced cars got the big share of total sales. That trend is back. Evidence: Chevrolet is now getting a bigger share of total G.M. output; Plymouth, too, has a bigger role at Chrysler. Buick is emphasizing its lower-priced Special.

Less profit-taking: Dealers are again over-allowing on used cars to land new-car sales. This week in New York City some dealers are advertising "no money down."

Few auto men think that 1950 can match 1949. But they do expect 1950 to be a highly satisfactory sales year. That's why only one major car maker is planning wholesale changes in design and chassis to stimulate sales.

II. The New Plans

But 1950 will be the first truly competitive year since prewar. And every manufacturer is adjusting accordingly. Here is the way these 1950 plans shape up, company by company:

General Motors: Chevrolet will be the first car in the low-priced field to bring out an automatic transmission. It will be a hydraulic torque-converter (like Buick's Dynaflow). Chevvie's name for it: Torqmatic. Price: around $150. This is higher than the $100 figure mentioned in early rumors, but still cheaper than Hydra-Matic and Dynaflow.

The new G.M. body first displayed on the 1950 Buick Special should turn up on some Pontiac and Oldsmobile models.

Several G.M. models will get small increases in horsepower.

Chrysler: Body designs the corporation introduced last spring will be revamped slightly with emphasis on changed rear-end appearance. Chrysler's brand new disc brakes won't turn up on low-priced Dodges and Plymouths. To get them you will still have to buy an expensive Chrysler Crown Imperial. Chrysler will continue to string along with its time-tested semi-automatic transmission. Dodge, DeSoto, and Chrysler lines will again have it, but not Plymouth. Chrysler has a torque-converter automatic transmission in the works, but won't bring it out in 1950.

Ford: Biggest new sales ammunition coming for Ford and Lincoln-Mercury dealers is a new Borg-Warner torque-converter automatic transmission. It will sell as optional, factory-installed equipment on Fords and Mercurys. Lincoln will continue to use G.M.'s Hydra-Matic for the present. (But Lincoln engineers hope to replace it later on with a torque converter of the Borg-Warner type.) Ford closed its deal with Borg-Warner only last week. One interesting angle on the new Ford transmission: It will have metal-faced disc clutches. S. K. Wellman Co., builder of clutch discs for heavy industrial equipment, will make the facings of powdered metal.

Body changes in the Ford line will be few next year. Each of the three cars will get enough exterior alteration to make it a "new model," but basic body lines will remain unchanged.

Studebaker: Its 1950 line is already out (BW—Aug.20'49,p19). Coming later next year is a new automatic transmission.

Hudson: This car-builder reopened its plants Oct. 10 after a brief shutdown for model changeover. But the new Hudsons now en route to dealers look much like 1949 models—with only very minor changes.

Biggest news from Hudson is a new, smaller car due early in 1950. It will be about eight inches shorter in over-all length than the big Hudson. Its price may be as much as $400 less. This will give Hudson its first contender in the low-priced field since prewar.

Hudson has a new automatic transmission in the works, but not ready.

Nash: This Wisconsin builder announced its 1950 line three weeks ago (BW—Sept.24'49,p23). It was little changed from 1949. But a new baby Nash, details as yet unknown, is coming in the spring. This has caused a good deal of speculation in Detroit. Nash now builds a small car, the Statesman, which is about the same size as a Ford

The Steel Strike and Ryerson Steel Service

As these lines are written * the strike announced by the president of the CIO United Steelworkers on October 1 is still in effect.

Naturally, the duration, extent and consequences of this stoppage in steel production are unpredictable. But for the sake of our national economy and the welfare of all we hope for a speedy and satisfactory solution.

Fortunately, during the past few months, the condition of Ryerson steel inventories in our plants has improved materially. Orders for high quality carbon, stainless and alloy steels are being filled promptly. And during this emergency they will continue to be filled, at our established prices, while our stocks last.

Likewise continued will be our long established policy of providing prompt, personal service whether an order calls for a single bar or a carload. So contact your nearest Ryerson plant for any steel requirements—and we will do our level best to take care of you.

* Friday, October 7.

Joseph T. Ryerson & Son, Inc. *Plants at:* New York • Boston • Philadelphia • Detroit • Cincinnati • Cleveland • Pittsburgh • Buffalo • Chicago • Milwaukee • St. Louis • Los Angeles • San Francisco

RYERSON STEEL

"Boy! what a Train!"



Super Chief

between Chicago and California

That's right, chico! This famous streamliner really has what it takes to please those who appreciate the best in travel. All private rooms and suites. Friendly hospitality. Delectable meals à la Fred Harvey. Smooth speed (just 39¾ hours between Chicago and Los Angeles). Extra fare. On your next trip between Chicago and California, take the *Super Chief!*

Santa Fe

Santa Fe *the Chief way to California*

R. T. Anderson, General Passenger Traffic Manager, Santa Fe System Lines, Chicago 4, Illinois

or Chevrolet, although somewhat higher priced. Detroiters are wondering: Is Nash planning a car that will undercut the three biggest sellers in size and in price as well?

Packard: The company's new president will have a lot to say about plans. He will be appointed shortly, replacing George T. Christopher, who resigned this month, effective Dec. 31.

Packard plans to continue its present line without broad-scale changes for 1950. The company's Ultramatic transmission, a torque-converter, is now available on Packard's top and middle lines. The smallest line will continue to use a conventional transmission, apparently, through 1950.

Kaiser-Frazer: The industry's youngest member has the biggest plans of all for 1950. The plans: three new-looking lines of cars, at least one of them brand new from the road up. Each line will be complete, from business coupe to convertible. As a group they will straddle the low, low-medium, and medium-priced fields.

A $34.5-million RFC loan announced last week gave K-F its go-ahead. The company will: (1) tool up for production of a new small car, priced slightly under the Ford-Plymouth-Chevrolet class; (2) tool up for new bodies on modifications of the present Kaiser chassis, for sale in the low-medium priced field (Dodge-Pontiac); (3) revamp present designs and introduce new body types in the medium-priced field (Mercury, Hudson).

Kaiser-Frazer seemingly will whack up its RFC loan about like this: for tools to build the new baby Kaiser, $4.4-million; tools for the two higher-priced lines, $18-million; new working capital, $12-million.

Willys: This company will continue its present utility line—Jeeps and station wagons—with little change. But recently Willys officials have been taking another close look at the small passenger car they once planned for the postwar market, then shelved.

Crosley: This week the smallest U. S.-built car was selling at its lowest price since prewar. In its first postwar price cut, the company had chopped a whopping 10½%. Model changes for 1950 are in the works, but not yet announced.

By this week every car manufacturer but two had made at least one 1949 price cut. The holdouts: Studebaker and Chrysler.

Chances for new and deeper cuts later on are still unclear. On some makes, $100 cuts might have been possible. But now most car makers are waiting for the 1950 wage picture to be sketched in. If they pay pensions, they must refigure costs. Some prices will drop, after the first of the year, but not much—probably less than $50.



The Name to Watch in Chemicals

YOUR NEW PRODUCT MAY BE IN THIS TEST TUBE

Almost daily, new uses are found for "polybutenes," a product developed by Oronite. Polybutenes have excellent electrical characteristics, are chemically inert and non-oxidizing and range from a free flowing liquid to a viscous, tacky, semi-solid. These properties and others have made "polybutenes" useful in electrical, adhesive, rubber and leather industries, to name a few. Oronite products include detergents, lube oil additives, natural gas odorants and a host of others. So, if you need chemicals for processing, compounding or manufacturing perhaps Oronite can help you.

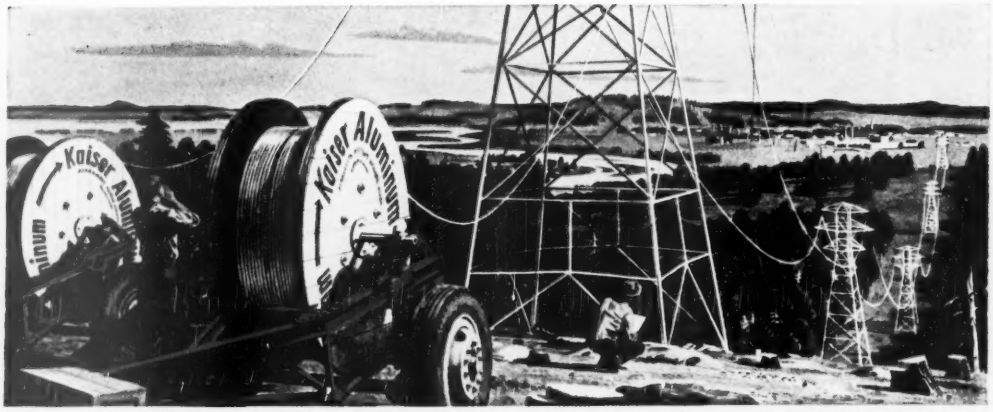
ORONITE CHEMICAL COMPANY

38 Sansome Street, San Francisco 4, Calif • 30 Rockefeller Plaza, New York 20, N.Y.
Standard Oil Bldg., Los Angeles 15, Calif • 600 S. Michigan Avenue, Chicago 5, Illinois
824 Whitney Bldg., New Orleans 12, Louisiana



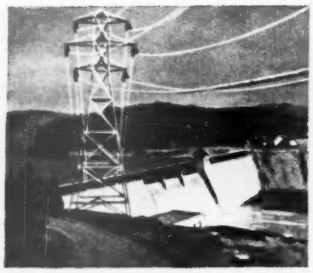
Oronite Polybutenes, possessing high dielectric strength and great resistance to heat make an ideal electrical insulation for such products as the small capacitor shown. Their inherent characteristics help reduce breakdowns due to atmospheric oxidation, humidity and voltage fluctuations. If your product calls for flexibility, electrical insulation or adhesion, it will pay you to find out about Oronite Polybutenes.

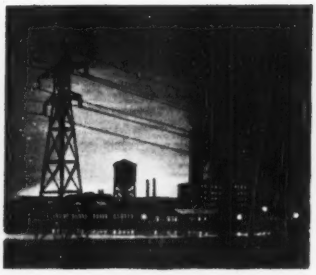
A major new source of Cable...

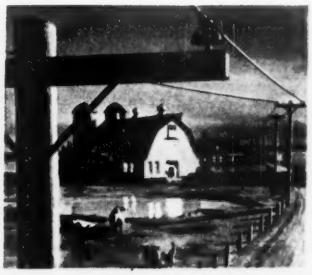


TODAY, electricity is being made available to many areas throughout the nation which never before had enjoyed its benefits. One important reason is that Permanente Metals, a major source of aluminum, continues to produce vitally needed Kaiser Aluminum Cable in ever-increasing quantities. Its modern plant at Newark, Ohio, has increased this country's capacity to produce aluminum cable by 100 million pounds annually. That's important to *you*...

brings more power to America!







IT MEANS that the availability of power to light homes, help run farms, businesses, industries... is being greatly increased. It means that the need for greater convenience, greater productivity in many areas will be met... and that private and public power enterprises will be able to expand. It means more power—more wealth, more jobs—to America!

Permanente Metals

PRODUCER OF

Kaiser Aluminum Cable

Completely controlled for quality

Permanente Metals' integrated operation completely controls the quality of Kaiser Aluminum Cable—from the processing of bauxite to finished cable.

Such quality control... plus a record for service that is unsurpassed... explains why thousands of manufacturers in many fields consistently use Kaiser Aluminum.

Permanente Products Co. (pronounced *Per-ma-nen-tee*), 1005 Kaiser Building, Oakland 12, California.

A major producer in a growing industry

Prosperity Index

Plant auctions because of business failures are on wane; sales of whole plants which will keep running on rise.

A good barometer of the health of the U. S. economy is the industrial auction. When business is shaky, plants are broken up, sold piece by piece. In good times the reverse is true—the auctions involve the sale of whole plants to businessmen who want to keep the wheels turning.

• **The Reading**—The men best qualified to read this barometer are the industrial auctioneers, of which there are perhaps only half a dozen in the country. Last week one of these, Ralph Rosen, of Buffalo, N. Y., gave his latest reading to BUSINESS WEEK. It showed, he said, a strong trend away from industrial liquidations and toward sale of whole plants. This shows up, said Rosen, in the fact that the dollar volume of his liquidation business in August and September was well off the June and July pace.

"This is contrary to what usually happens," says Rosen. "If a plant is having a bad time, it generally is given the summer to tide itself over. By August, it has often as not failed to make the grade. So August and September liquidations usually keep us hopping." This year, Rosen hasn't been hopping so fast as usual on breaking up plants.

• **Whole Plants**—Rosen still has plenty of business. But now a good chunk of it is auctioning off whole plants which are doing a good business.

Last month, for example, Rosen auctioneered two veneer-equipment plants in the South, both owned by one big company. The people who bought them will continue to operate them as veneer-equipment plants; and, because they are a good investment, Rosen got more for them than the original owner had asked.

• **What It's Like**—At no industrial auction will you hear the fast, sing-song gibberish used by auctioneers in many other fields. Says Rosen: "When you're dealing in big figures, you've got to talk in understandable English." (Rosen handles from $4-million to $6-million in sales a year.) Other than that, it sounds and looks pretty much like any other auction—including the variety of items handled. Rosen sells everything from nuts and bolts to airplane plants, from stores to huge stamping machines. Once he even sold a "perpetual motion" machine as a curio after the "inventor" had lost a costly damage suit.

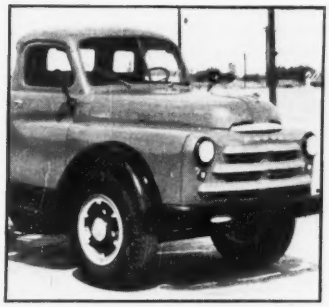
Attendance at industrial auctions varies from 100 to 1,000 people, depending upon the size and nature of the property being sold. The auctioneer must be an expert on values of industrial items. He sets a fair price, based on the market value, condition of the item, and so on.

• **Investigation**—Rosen will not touch any property which has legal or financial entanglements. He makes a thorough investigation of the property to find out if it is free and clear before he signs his contract with the seller. Once he has accepted, Rosen sends in a crew which cleans the place up, takes a complete inventory, and prepares a catalogue of everything to be sold.

Rosen has a tremendous list of prospective buyers for almost every type of machinery, equipment, plant, and finished products. They come from every part of the U. S., Mexico, Canada, and even overseas. When they buy they make a down payment, put up the rest before they can move the property.

• **Always a Boom**—Whether general business conditions are good or bad makes little difference to Rosen's business. In good times, there are not so many auctions as in bad times, but they are bigger. Since Rosen works strictly on a commission basis, he manages pretty well.

During the past two years, Rosen says, there has been a great deal of voluntary liquidation. "People made their pile during the war in new plants, and they hung around for a while looking for a new product. When they couldn't fasten onto one, they decided they'd better get out while the getting was good."



Dodge Trucks Bow In

Dodge Bros. Corp. has brought out a new truck line, the Series B-2. The 356 models in the line (106 more than in the old series) have a new electrical system, a 5-speed synchro-shift overdrive-transmission, and cyclebonded brake linings. On the ½-ton, ¾-ton, and 1-ton models there is a steering-column gearshift and a handbrake on the dashboard. A completely new engine has been built into the 2½-ton trucks. The new powerplant has a 306-cu. in. displacement and develops 122 hp. at 3,200 r.p.m.

WHAT'S YOUR SCORE?

Quiz for men who do business in New York State

1. *Of all the factories in the 48 states, New York has 5%* ( ), *10%* ( ), *19%* ( )?
2. *With only 10% of the country's population, New York gets the greatest share of the nation's income. True or false?*
3. *New York State, with over one-fourth of the banking resources in the country, has how many state-wide banking organizations? Ten* ( ), *Five* ( ), *One* ( ).

1. 19% . . . virtually one out of five! 2. True. 3. Only one banking organization has state-wide coverage: Marine Midland. And that's plenty important to you in plenty of ways. Speeds up collection of your checks and drafts, for instance. And don't neglect the fine opportunity Marine Midland affords you for pertinent information on local business conditions. Open your account with Marine Midland Trust Company in New York City!

Marine Midland Banks serve . . .

Buffalo
New York City

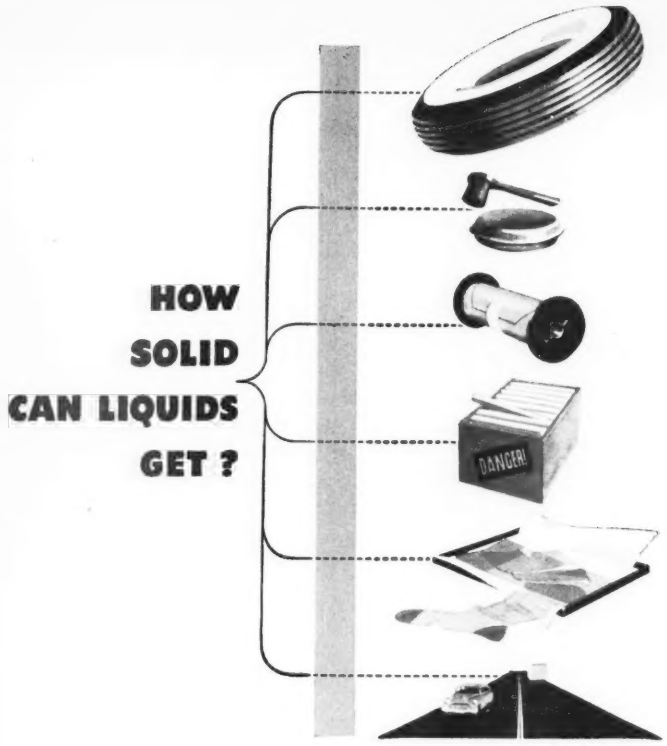
Adams
Albion
Alexandria Bay
Antwerp
Attica
Avon
Batavia
Binghamton
Copenhagen
Corinth
Cortland
Depew
East Aurora
East Rochester
Elmira
Elmira Heights
Endicott
Evans Mills
Fulton
Holley
Horseheads
Jamestown
Johnson City
Lackawanna
Lockport
Malone
Medina
Middleport
Niagara Falls
North Tonawanda
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From "liquid" to "solid" is a basic step in the production of an amazing variety of consumer goods and industrial products. And wherever these chemical processes take place...wherever fluids are pumped . . . Byron Jackson offers the inherent advantages of centrifugal pump design.

Since 1872, Byron Jackson has manufactured specialized lines of centrifugal pumps...solved fluid-handling problems throughout the world . . . and grown in stature by virtue of the BJ way of doing business: ". . . to send out a thoroughly good article, such as will insure the order being repeated."

Byron Jackson designs, builds, and installs every type of centrifugal pump for industrial, city, and farm requirement. Write today for an illustrated bulletin describing the BJ pumps you need.

BJ

built-to-last

pumps

Byron Jackson Co. manufactures centrifugal pumps, oil well tools, oil field specialties, and performs many technical oil field services.

Byron Jackson Co.

Since 1872

LOS ANGELES 54, CALIFORNIA

Offices and dealers in principal cities

PLANT LOCATIONS:
Los Angeles, California
Houston, Texas
Bethlehem, Pennsylvania
Fresno, California

Pump Division
Patterson-Ballagh Division
Oil Tool Division
BJ Service Division

BUSINESS BRIEFS

Henry Ford II says he won't try again to reach an out-of-court settlement with tractor-maker Harry Ferguson (BW—Jan.17'49,p25). Last week the two talked over Ferguson's $251-million patent-infringement suit against Ford Motor. Ferguson later said that Ford made proposals that he couldn't accept.

•

Two chemical companies—Reichhold Chemicals and Diamond Alkali—have joined hands in the development of phenols. Combined research will center at Reichhold's $3.5-million wartime phenol plant at Tuscaloosa, Ala. Aim is to set up a jointly owned corporation to take over the plant.

•

Making yourself understood is the Civil Aeronautics Administration's latest concern. It's working on a standard of 1,000 comprehensible words so that pilots can't possibly misunderstand radio instructions the first time they're spoken.

•

Press line expanded: Baldwin Locomotive Works has bought the press business of Defiance Machine Works. Baldwin will make Defiance's small mechanical preform presses at its Baldwin Eddystone (Pa.) plant to supplement its own heavy line.

•

Advertising budgets in 1950 will remain at about the 1949 level, according to an Assn. of National Advertisers poll of its members. The advertisers who plan budget cuts are about balanced off by those who plan increases.

•

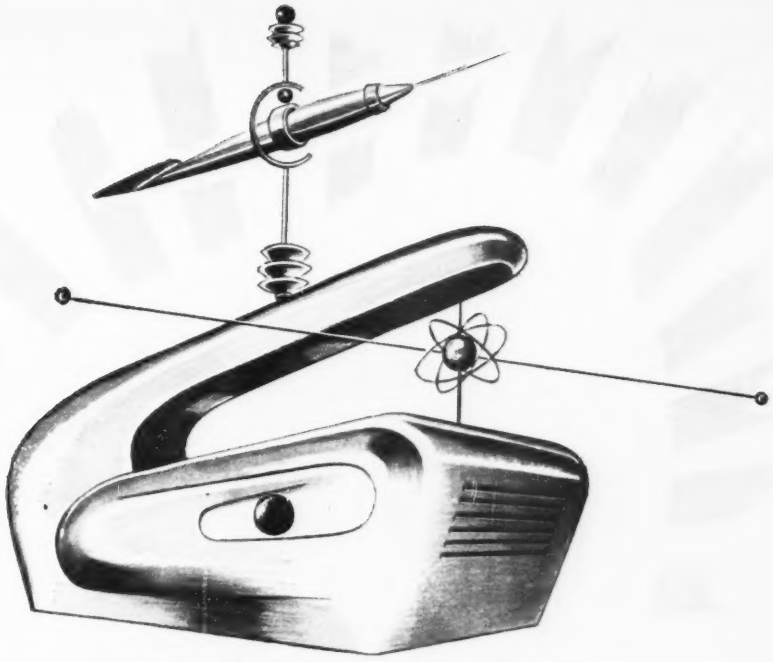
Two St. Louis suburbs are fed up with the planes that have been flying over the city since the summer, blaring advertising commercials through loudspeakers. The towns have passed anti-noise ordinances—a move that St. Louis will probably copy.

•

A Weyerhaeuser subsidiary—Potlatch Forests, Inc.—will build new pulp and paper mills at Lewiston, Idaho. The idea is to utilize northern Idaho's "mixed woods" efficiently. Potlatch's sawmills there will continue using the white pine for lumber; the new operation will use the larch, cedar, etc., for pulp.

•

Color television on a commercial scale is still several years off, judging from the reaction to demonstrations before the FCC. Observers objected to RCA's color fidelity and the mechanical nature of CBS's system. General concensus: More field-testing is needed.



A NEW THINGAMABOB!

Recognize it? Of course not—it's still to be developed. It's not really a thing at all, but rather a representation of advancement in manufacturing technology. Whatever shape it finally achieves, it will be a *better* machine to *improve* an industrial process.

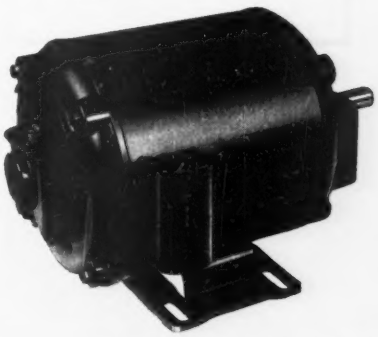
And it will probably be electrically powered by a motor that is as efficient, dependable and durable as the machine itself. That's why it may very well be powered with a Wagner motor. Much of today's industrial equipment is Wagner-powered to offer maximum operating economy and dependability.

Today — and tomorrow — you'll find Wagner motors powering manufacturing machinery, farm equipment and commercial equipment—whatever needs dependability in electric motor power.

Wagner engineers are qualified to specify the correct motor for your requirements from the complete line of Wagner motors in standard types from 1/125 hp. to 400 hp. Consult the nearest of our 29 branch offices or write us.

Wagner Electric Corporation
6460 PLYMOUTH AVENUE, ST. LOUIS 14, MO., U. S. A.

Wagner Type RA single-phase, repulsion start induction motors have characteristics of high starting-torque and low starting-current, making them especially suitable for applications where high inertia and excessive friction are encountered in starting.

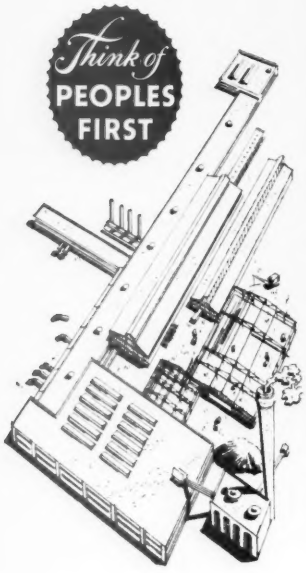


Wagner Electric Corporation EST 1891

ELECTRIC MOTORS • TRANSFORMERS
INDUSTRIAL BRAKES
AUTOMOTIVE BRAKE SYSTEMS — AIR AND HYDRAULIC

WM48-7

When you think
of the Billion
bet on PITTSBURGH



Over a billion dollars in new industrial construction in the Pittsburgh area is being spent by such firms as Jones & Laughlin Steel, U. S. Steel, General Motors, Pittsburgh Consolidation Coal, Westinghouse and other leaders . . . evidence that Pittsburgh will continue to be the "Workshop of the World."

Pittsburgh offers many advantages to new industry. And Peoples First National, with its 15 completely staffed offices, provides banking services which amply support projects in this area. Your inquiries are invited.

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Pittsburgh 30, Pennsylvania
Member F.D.I.C.

EXECUTIVE OPINION



SIDNEY NATHAN has fun running the King Record Co., says key thing in records is . . .

"The Influx of Independents"

Nathan has built a radio store and $6 worth of used records into sixth biggest unit in the business. He specializes in hillbilly recordings, writes many of his own songs.

The hullabaloo over record speeds—78 r.p.m., 33⅓ r.p.m., 45 r.p.m.—has reminded a lot of people that one of the phenomena of the war and postwar years has been a boom in phonograph records—a boom unprecedented since radio swung the ax on records back in the twenties. Riding this boom, a host of small record companies has invaded a field that used to be the preserve of Columbia, RCA, and Decca. Sidney Nathan's King Record Co. started during the war; today, as nearly as you can tell in such a freeswinging business, it's the sixth largest in the industry, ranking right after Capitol and Mercury.

In this recorded interview with a BUSINESS WEEK reporter, Nathan tells how he got into the business, how he runs his growing firm—strictly by ear.

BW: As an independent record manufacturer, how does all this business about three different record speeds strike you?

NATHAN: As far as the actual phonograph record which sells in tremendous volume—the popular record—I don't believe any of the speeds other than 78, for years and years to come . . . further than I can anticipate . . . will be a great factor in the record business. Approximately, let me say, 15% of the phonographs in the country are wind-up phonographs. That's my guess, and I think I'm pretty close; the United States is made up of the rural sections and the urban sections, and there is more rural than we realize until it comes to election time.

BW: People that don't have electricity?

NATHAN: Not only people that don't have electricity—some people like their horrible tone.

BW: Do you think that having three speeds hurts the business?

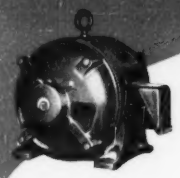
NATHAN: No, I don't think so.

BW: A lot of dealers seem to think

There's a Century MOTOR To Supply Dependable Power For All Popular Applications

Century motors are available in sizes from 1/6 to 400 horsepower, in a wide range of types and kinds — single phase and polyphase alternating current, and direct current. All of them are ruggedly built to assure top performance throughout a long service life.

POLYPHASE



Type SC—OPEN PROTECTED—Form J, general purpose motor—meets the needs for most installations where operating conditions are relatively clean and dry. The top half of the motor frame is closed to keep out falling solids or dripping liquid.



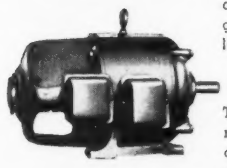
Type SC—SPLASH PROOF—gives the necessary protection where plants must be washed down—keeps water out of the motor even when a hose is applied directly on the frame. Also provides protection against rain, snow, sleet and ice for outdoor installations.



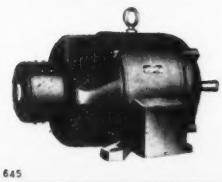
Type SC—TOTALLY ENCLOSED FAN COOLED—protects against dusts, mist or fog detrimental to the vital parts of the motor. The inner frame protecting the motor is sealed to keep out harmful matter.



Type SC—EXPLOSION PROOF protects against atmospheres charged with explosive dusts or gases. They carry Underwriters' label for specific kinds of hazards.

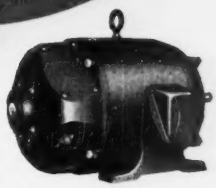


Type SR—SLIP RING- wound rotor motors are suitable for applications requiring low starting current with high starting torque, reversing, or adjustable speed.

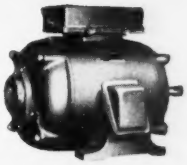


Type SY—SYNCHRONOUS MOTORS suitable for continuous operation at a uniform load for power factor correction.

SINGLE PHASE



Type RS—REPULSION START INDUCTION—single phase brush lifting motor suitable for applications requiring high starting torque with low starting current.

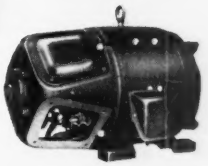


Type CSH—CAPACITOR START INDUCTION—single phase motor suitable when high starting torque with normal starting current is required.



Type SP—SPLIT PHASE, INDUCTION—single phase motors —suitable for light starting duty.

DIRECT CURRENT



Type DN—DIRECT CURRENT MOTORS—suitable for use where direct current is available or its use desirable.

These illustrations are typical of Century's complete line of motors. Others available include gear motors, generators, AC and DC motor generator sets.

Specify the right Century motor for all your electric power requirements.

Popular types of standard ratings are generally available from factory and branch office stocks.

CENTURY ELECTRIC COMPANY

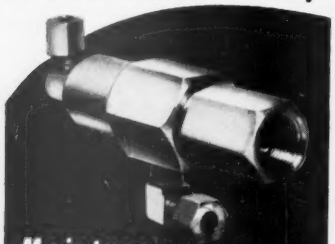
1806 Pine Street
St. Louis 3, Missouri

Century C MOTORS

645

Offices and Stock Points in Principal Cities

EXCLUSIVE!

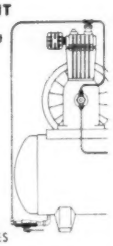


Moisture FREE AIR with the New Quincy "DRI-R-AIR" Automatic TANK DRAIN

Here's news! Quincy's new "DRI-R-AIR" Tank Drain automatically removes the water that collects in the tank of ANY compressor having bleed or pressure type unloaders. Saves valuable time by eliminating manual draining. Saves you money by eliminating frozen air lines, slugs of moisture and maintenance costs. Quincy's new "DRI-R-AIR" has been field-tested for over 11 months under actual working conditions . . . praised by all users. Tests show that compressors equipped with Quincy "DRI-R-AIR" seldom have as much as a single tablespoon of water in the tank!

CHECK THESE IMPORTANT

"DRI-R-AIR" FEATURES



- EASY TO INSTALL
- NON-CORROSIVE, RUSTPROOF
- ONLY ONE MOVING PART
- ABSOLUTELY AUTOMATIC
- NO MAINTENANCE WORRIES

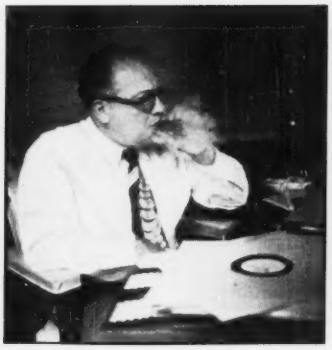
Send Today For Complete Details!

Write now for FREE folder, illustrating installation and giving complete details on Quincy "DRI-R-AIR" Tank Drain! No obligation whatsoever.

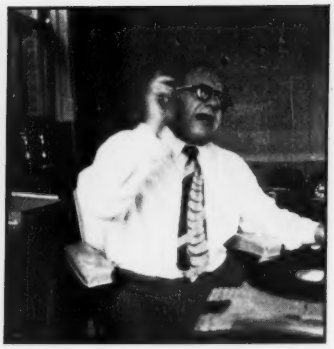
Made by the Makers of Quincy Compressors

Quincy COMPRESSORS

QUINCY COMPRESSOR CO.
Dept. W109, Quincy, Illinois
Branch Offices: New York • Philadelphia
Chicago • San Francisco • St. Louis



"I got into this business in a very peculiar manner. I was in the wholesale small-radio business, and a fellow. . . ."



"I always figured that if you paid a little bit over the regular price somebody would make the records."

it does. At a meeting in New York this summer . . .

NATHAN: I must differ with them. The only thing wrong with the record business was that conditions were a little shaky; the purchasing public was afraid. I think we have gone through that. Of course, a great deal of that in the record business depends upon what you have on the market. One of the things that the large record companies have felt is the influx of the independents . . . who had a lot of imagination and would take a chance on putting out a record that was not the ordinary standard, stereotyped pattern. We have built our business primarily in the hillbilly field and in the race field, and in those fields I don't take my hat off to anybody.

BW: With these new speeds and new materials, will you have to change your production methods?

NATHAN: We will eventually probably go to break-resisting records . . . a semiplastic record.

BW: Is that for strength or for higher quality?

NATHAN: The average record today weighs about 6¾ oz.—100 records placed 25 in a carton, four cartons in a box, weigh about 47 lb. If we go to a break-resisting record we can produce that record at about 5½ oz., which will lower the freight cost.

BW: Any likelihood of your switching over to vinyl records?

NATHAN: I will when I need to . . . why do it before? You know, I have a friend runs a restaurant here. A while ago I said to him: "What this town needs is a good corned-beef sandwich." He said to me, "Sidney, you are right . . . but I'm saving that."

BW: How about record speed?

NATHAN: If people continue to buy more and more attachments for 45 r.p.m. and 33 r.p.m., we may have to go to one of the two speeds . . . perhaps in a small way.

BW: Will it cost much—if you run the same record on several speeds?

NATHAN: You don't have to be a very smart businessman to see that if you make the one particular type of product and you have to take that same product and make it in two or three different ways, you are running into more cost because you have to handle it more times in order to get the same dollar sales.

BW: You'd need some new machinery, wouldn't you?

NATHAN: I believe that if we wanted to make 33 today that we could get them from Columbia as fast as we could make them. They will contract to do a certain amount of outside work, and the same thing naturally is true of Victor.

We find that some of the juke-box manufacturers have already prepared and have ready a unit on which they can play 45 or 33. They do not intend to bring this unit out; they just have perfected it so that the juke-box operators will continue to buy the 78-r.p.m. machines, knowing that, if they have to, they can replace at a very nominal cost.

BW: Now there is another aspect of this business . . . you referred to it a few minutes ago. Over the last few years, a lot more independents like yourself have gone into this business. How did you get into it?

NATHAN: Well, I got into this business in a very peculiar manner. I was in the wholesale small-radio business and a fellow owed me a small debt, $6, who was a juke-box operator, and he didn't seem to want to pay. I embarrassed him, and finally he came in one day and said—"Look, I haven't any money but here are 300 used records."

I said, "What am I going to do with used records?"

"Well, you've got a store here right on 5th Street. Put a sign in the win-



"You could sell it and put your name on it because at that time anything that looked like a phonograph record was salable."

dow, 'Used Records, 10 cents,' and if you don't get your $6 back I'll give you the difference."

BW: How did you make out?

NATHAN: The first afternoon we sold 180 and took in $18; and from then on I was also in the used-record business.

Shortly after that, the boy who was working for me and my sister decided to get married, and I gave them the store and went to Florida. In 1939, I had a very disastrous year there in the photofinishing business. When the thing was over, why I was practically broke. I came back to Cincinnati and opened a store here—a record store.

During the war records were hard to get, and naturally I thought up a brilliant idea: that I could get some hillbilly singers and cut some records and somebody would press them for me. I thought it would be as easy as all that.

BW: Where were you going to get shellac? The reason you couldn't get the records anyway was the shortage.

NATHAN: I always figured that if you paid a little bit over the regular price somebody would make the records. Well, after being taken by the city slickers in New York for a little money, I finally did get a manufacturer to make records for me at a very low price.

Before he even started to make records for me, he raised the price seven cents. Then I decided maybe I could put in a little plant of one or two presses—and this is what has developed from that one- or two-press idea.

BW: How long did it take to make a record that had commercial quality?

NATHAN: Well, I would say it was six months before the first record came out.

BW: Was that a record you could sell?

NATHAN: Oh yes, you could sell it and put your name on it, because at that time anything that looked at all

ANOTHER 3M COMPANY SERVICE STORY



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"I find it difficult to explain to someone what I want; I have to hear it; I can hear it better if I write it."

like a phonograph record was salable.

BW: How did you get the merchandising started?

NATHAN: I've mentioned that I had a retail store . . . I developed this retail store to a point where I was doing wholesale business at retail prices. I had six to nine accounts in the surrounding area that would buy most anything I could lay my hands on in records; so that when we started I had these six to nine accounts; they were hungry for merchandise. In several months we were up to 1,500 a day. . . .

BW: How about national distribution?

NATHAN: Naturally the first shipments came direct from Cincinnati. Then we were talked into a branch in California; also in Oklahoma City and Dallas. We found that these branches would gladly accept the records, but when it came to paying for them . . . somehow they were a little reluctant. It was no use trying to operate with those fellows; in order to get our money out we had to take over. Therefore, in a short time we had Cincinnati and Dallas and Oklahoma City and Los Angeles.

BW: All of this was before the end of the shortage?

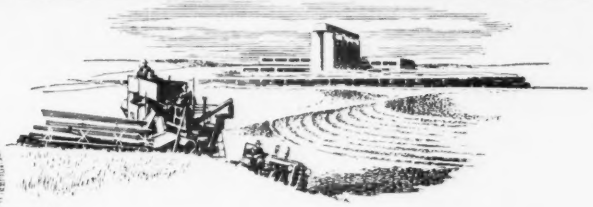
NATHAN: This was started before the end of the shortage. At the end of the shortage, we must have had about 16 branches . . . then we knew that the holiday was over. Then we knew it was necessary to have more branches so we continued to open branches and are in the process right now of opening another one.

BW: You put out a specialized type of record; how do you go about getting your material?

NATHAN: Our company was set up with the thought that we could not succeed in this business if we only copied things the larger companies put out—90% of our catalog is original

THE SCIOTO RIVER VALLEY SECTION OF THE *Land of Plenty**

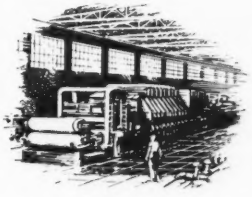




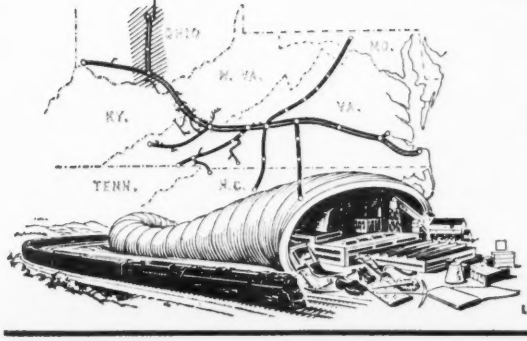
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Somewhere in the Scioto River Valley Section there's a factory site for your particular plant. We'd like to help you locate it. For specific, reliable information, write today to the Industrial and Agricultural Department, Drawer B-213, Norfolk and Western Railway, Roanoke, Va. This department, with almost 50 years of plant location experience, will serve you promptly, accurately, confidentially — and without obligation.

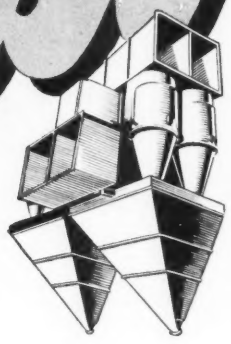


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compositions never before marketed.

BW: You write a fair amount of your own stuff, I believe. . . .

NATHAN: I'm a bit shy in talking about it; it seems peculiar to me that I do write. When I was five years old, I was given a set of drums by an uncle of mine, who was given an ultimatum by his father: Either you go or the drums go. Living next door, the closest place he could drop them was in our house; I started to take drum lessons then and became a pretty fair drummer. Well, a drummer is not a technical musician in most cases . . . who studies music violently like a fiddle player . . . but you do get a pretty good layman's view of music.

I wasn't in this business more than two weeks when I found it necessary to write a number. I was going to Dayton, Ohio, to do a recording session with Grandpa Jones and Merle Travers, who record now for Capitol. We were singing over the numbers we were going to record and found we had only three numbers.

BW: What were you going to do for the other side?

NATHAN: What were we going to do for the other side? I said, "Merle, let's write one." So between Grandpa Jones and myself and Merle, we wrote it; I supplied most of the lyrics, and they put the music to it.

Then for a long, long while I did very little writing, but in the last year or so I find it difficult to explain to someone what I want; I have to hear it; I can hear it better if I write it; so I write all the way down the line—from a pop tune to a hill billy to a risque, double-entendre. I cover the field pretty well.

BW: When you speak of hill billy music . . . it doesn't mean music that you go back in the hills and find, like folk music?

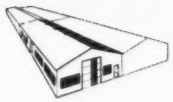
NATHAN: The word hill billy is misused constantly. What we really mean when we say hill billy music is simple construction of a song—a song that . . . you might say . . . that is reminiscent of America itself. People who are down-to-earth and the people who live in the small communities—they like that kind of music.

BW: What about the so-called race music? What makes a song a race song?

NATHAN: A race song—race music—is purely a term given to music that appeals to the colored people; it is based primarily on "blues." You'll find in most race music a sort of little chant, a little whine . . . in a way the melody runs . . . while in pop music the melodies are more sophisticated.

BW: Your business really stands or falls on your success in selecting songs.

NATHAN: The whole record business stands or falls on that.

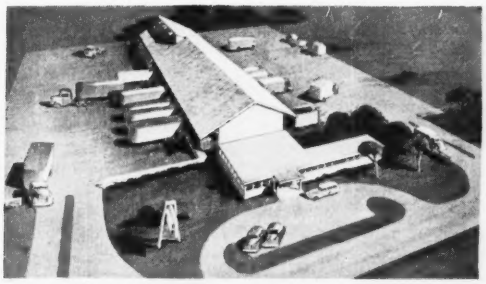


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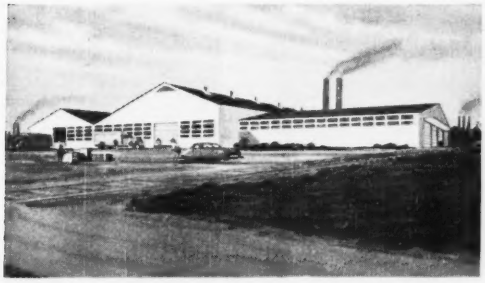
For the complete story, mail the coupon below for our new 20-page catalog on Standard Buildings by Luria.



THIS MODERN truck terminal shows how ideally Luria buildings are suited to a field where such facilities are urgently needed today.



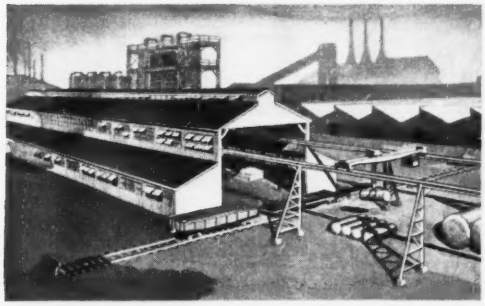
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MANAGEMENT

The Figures Aren't Secrets

Few employees have much idea of company operating figures. But department stores find it pays to spread them around, make a point of it.

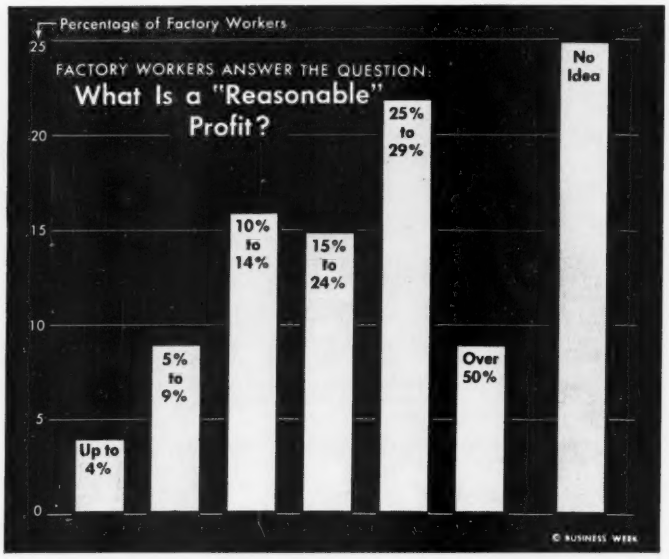
A couple of years ago a big New York store decided to ask its salespeople a question: What part of every sales dollar do you think is net profit?

The answers bowled over the executives. They ranged from 15¢ to 50¢. Quickly the store got out a statement aimed at setting the employees straight. It pointed out that the actual net profit averaged 3.7¢ per dollar.

• **Common Occurrence**—As most businessmen know, this sort of distorted view of company operations is more common than not among employees in any industry (chart, below). In the case of a store, this particular confusion has an obvious meaning: The employee is thinking of a 40% markup on items sold as a 40% profit. The serious thing about that is—it shows he doesn't know enough about the costs that eat into that 40%, not enough to be intelligent about his job.

Overcoming that kind of ignorance can be a major problem for any business. For at least one business—the department-store field—it is a matter of necessity. In a department store, lower-echelon supervisory levels—buyers and their assistants—are the ones who can do most to control the costs that creep in between buying and selling.

• **More Information**—In recent years, therefore, most department stores have



Factory Workers Take a Look at Profits

What do employees consider a reasonable profit for a company to make on each dollar of sales? This week Factory magazine, a McGraw-Hill publication, offered an answer. In a survey of factory workers the magazine got replies ranging from "over 50¢" to "under 4¢."

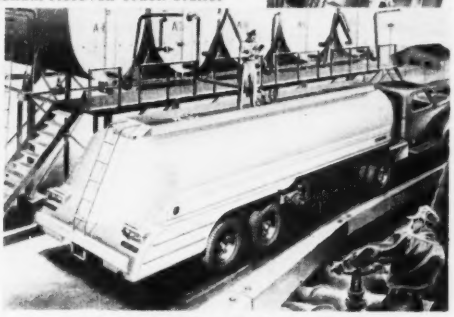
Only 5% of workers interviewed knew how much profit their companies make on each dollar. But the average of the remaining 95% thinks that 10¢ and maybe a lot more would be reasonable. Normal profits should run to 25¢ or more on the dollar, according to 25% of the workers. A surprising 17% put the figure at 50¢.

Factory's comment on the survey's findings: "There is a tremendous amount of misinformation in the heads of workers."

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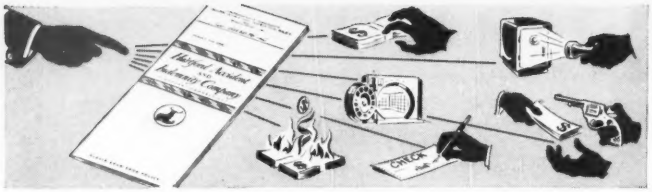
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This modern policy provides 5-way protection for your assets and profits

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More and more businessmen, realizing this fact, are insisting on insurance that gives complete loss-proof protection, and modern insurance policies are designed to satisfy that demand. An excellent example is the comparatively new COMPREHENSIVE DISHONESTY, DISAPPEARANCE AND DESTRUCTION POLICY. The protection given by this contract is so exceptionally broad that to equal it you would have to carry four old style policies.

Under this new "DDD" Policy, you can safeguard yourself against losses due to:

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3. Theft, robbery, damage or destruction of money or securities outside your business premises.
4. Theft, disappearance or destruction of securities held in a safe deposit box.
5. Forgery or alteration of outgoing checks, drafts, notes, etc.

Besides being remarkably broad, the "DDD" Policy is extremely flexible—it can be adjusted easily to fit the special requirements of any business organization. Definitely it offers you the best available protection against crime losses and other risks to which your money, securities and merchandise are exposed.

Before some serious loss that could cut heavily into your profits or impair your assets occurs, you owe it to yourself and your business to investigate "DDD" Policy advantages. An explanatory circular clearly outlining what this insurance covers and does not cover will be promptly sent you upon request. Or your Hartford agent or insurance broker will give you details, including a quotation on cost.

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given a lot of attention to getting detailed cost data, operating and profit figures, into the hands of supervisors. The stores rely on the supervisors themselves to keep the salespeople informed as to where they, too, can keep costs down. (For example: A department head informs a suit salesman of the necessity for selling suits that fit fairly well so that alterations costs can be kept down.)

Here's how one big New York department store applies the keep-them-informed formula:

Each month the management gives department heads (who are usually buyers) a statement as to the financial standing of their departments. The statement shows gross income, all expenses, and net income. The expenses which have to be taken out of the markup include newspaper lineage and other advertising (catalogues, fillers, etc.), buyers' salaries and travel, salespeople's salaries and commissions, delivery expense, wrapping and packaging, rent (for selling space and for nonselling space, such as warehouse), and indirect expenses. In just one department, these expenses alone amounted in one month to 15.25% of a 39% markup.

• **Buyers' Control**—The reason the store tells its buyers about this is because they make up a group which has some control over such items. Since they make the purchases, they can bear the ultimate cost in mind.

In other words, the amount a buyer pays for an item is not its final cost. The total cost—from purchase by the store to delivery to the customer—can vary tremendously with the item. For example: Say a buyer pays the same price for 100 doz. highball glasses as he does for 100 doz. goblets. If the company puts a 40% markup on both kinds of glasses, it stands to make less of a profit on the goblets than on the highball glasses. In fact, if the goblets are particularly delicate, it winds up losing money. Why? Because the goblets have to be wrapped with much greater care to prevent breakage in delivery.

• **"Bargains?"**—This same store also warns buyers to study a so-called bargain carefully before they actually make purchases. For example: A buyer may see what he thinks is a good bargain in a widely assorted group of lampshades, buy them up at a low price. But each lampshade sold almost certainly has to be delivered. And after it is tried out, it may be returned—which boosts the store's original cost quite a bit. More than that, since each lampshade is different, each will have to be packed and wrapped differently from the others. All this can more than eat up the 40% markup.

Such things as this show the real necessity for buyers knowing the hidden expenses involved in each item in his

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B-351

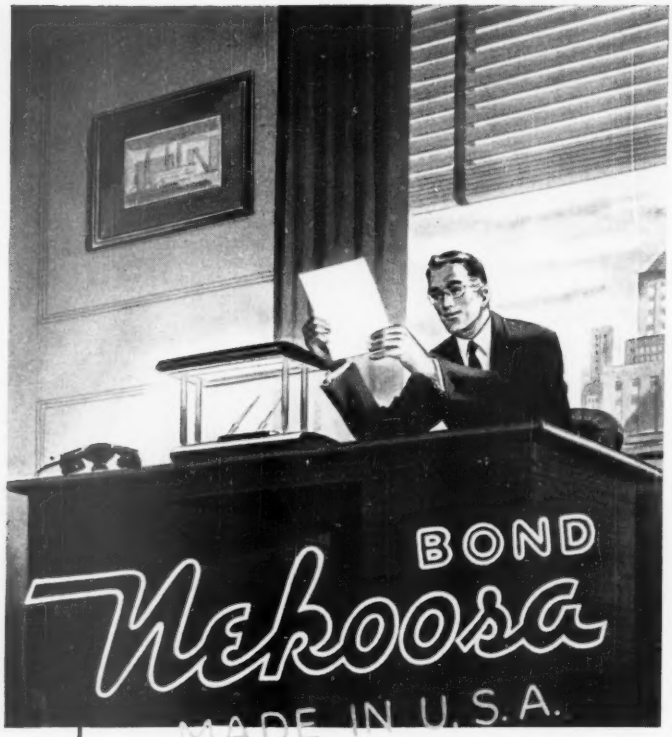
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department. This store, as do practically all other department stores, relies on more than financial statements to keep its buyers on the ball. It finds that it must talk constantly both to individuals and groups on inventory losses, cost of alterations, the cost of errors in sales slips, the results of carelessness. Said one official: "We feel that if we get the buyers conscious, they will do the job."

• **Two Methods**—This store uses two methods to keep a buyer on the alert: (1) It holds individual meetings, going over the figures in his department with each buyer; and (2) holds meetings of groups of buyers to discuss problems that are common to all departments.

There are two important characteristics about both kinds of meetings. The first is that there is no regular schedule of meetings—they are always kept flexible. Secondly, the meetings in no way resemble a call-down.

• **Old Policy**—This was not always true. In the old days, a buyer who squeaked through with a tiny profit margin, or lost money, was often as not fired. It didn't take long for store management to discover that this policy didn't make sound business sense. What did make sense was that continuity of effort means more than beating last year's profit figures—especially since the buyer is just as eager as the boss to beat those figures if he can.

The store in question says that keeping buyers informed on finances is a tremendous morale booster and it causes the buyer to try to get his salespeople to help him keep costs down.

• **Industry Problem**—Can such a system be applied to industry? The factors involved in almost any plant are far different from these in a department store. The employees of a store can be made far more conscious of actual costs—just because they deal with the customer directly. In a plant, the worker—and the foreman—seldom sees his customer, or even knows who he is. Likewise, a department manager both buys and sells merchandise in a store. But the industrial foreman has much less control over cost and selling price.

• **Comparisons**—But department-store people can point to some close comparisons. The department head of a store warehouse has nothing to do with buying or selling. Yet the store management successfully makes him aware of costs, too. His problem is how to cut wage costs—by using methods and systems which make his labor more productive.

The yardstick of a net-profit showing doesn't exist here. But the stores use a "comparative yardstick"—how much it costs him to run his department as compared with (1) the same department in other stores; or (2) his own department's record for previous years.

More Autonomy

New president of Baltimore Transit Co. found its supervisory setup unwieldy. His solution: give division heads full responsibility.

When A. B. Hancke became president of Baltimore Transit Co. recently, he found that the company had outgrown its supervisory setup. Too many routine operating problems were coming all the way through to top management before a decision could be reached. Yet top management was often too far from the everyday operating problems to make the proper decisions.

• **Bar to Action**—Hancke found that too many of Baltimore Transit's supervisory employees were merely "doing a job," instead of assuming the responsibility that their positions warranted. Result: Quick action was almost impossible, because decisions were channeled topsides. Here's a hypothetical example:

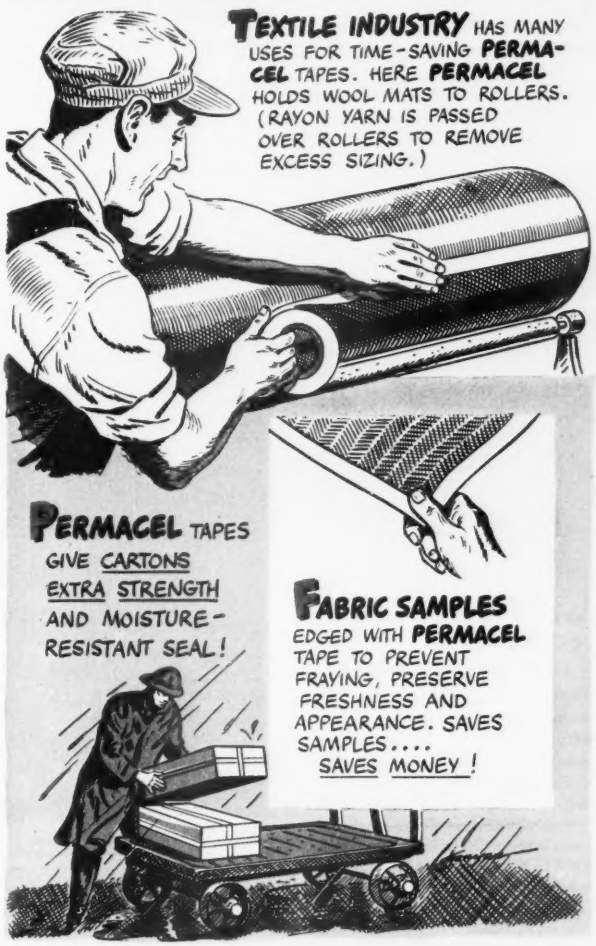
Suppose a downtown store announces a big sale. At 10:30 a.m., it becomes apparent that there's an unusually large demand for bus transportation. The owner of any small bus company, who kept his finger constantly on the pulse of his operation, would immediately order more buses into service. But in a big company, the supervisor in charge of that run would first check to see what he should do. And by the time a decision was made, a traffic jam would have developed.

• **Decentralize**—Hancke's answer: Decentralize the operation. He has divided his transportation department into nine operating sections; each section is an individual operation similar to an independent medium-sized company. Each of these "bases" is run by a "base manager," who is given the same full responsibility as the operating manager of a small company. He decides how many buses are needed on each of his routes at any time; how much maintenance should be done, and when; when schedules should be revised.

This type of setup has one big advantage over a small-company operation: Although the base manager has almost as absolute control over his base as an individual owner, he also has access topside to experienced people and specialized services.

• **The Right Men**—One essential to the success of this type of operation, Hancke decided, was to have the right men for the jobs. With this in mind, the personnel records of every one of the company's 4,300 employees were examined with a fine-tooth comb. A good manager for one of the bases was combed out of a routine minor job that required no executive ability whatever.

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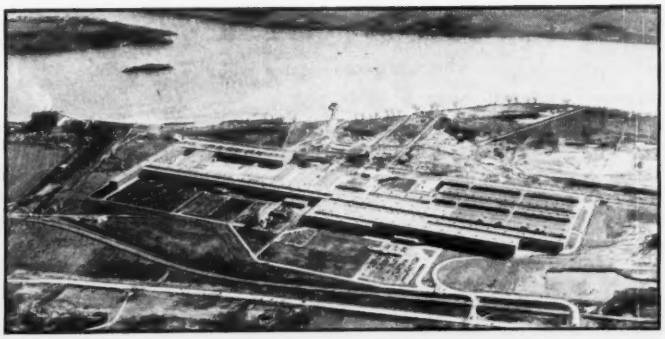


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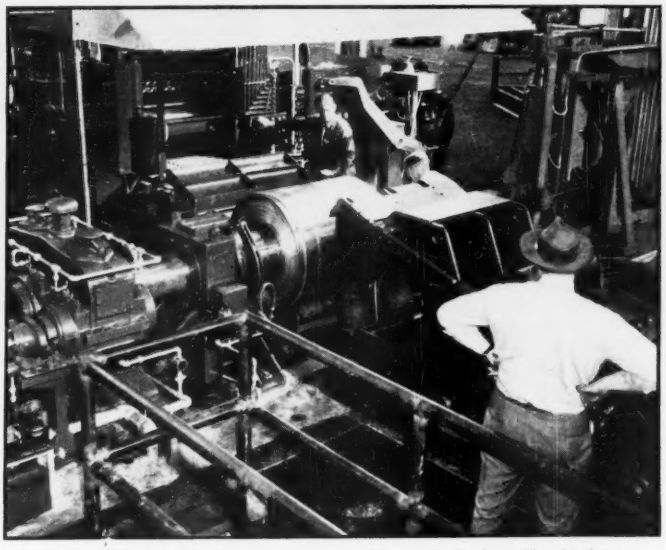
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REGIONS



AIRVIEW: Alcoa's big plant hugs one shore of Mississippi; Deere plant is in background.



ALUMINUM SHEET rolls from presses at new Alcoa mill. Products like this bring . . .

New Life on Old Man River

Quad-Cities, on either side of Mississippi, are building a busy industrial center in Iowa-Illinois farmlands. Good location, transport, and skilled labor force attract many kinds of manufacture.

A few miles south of the Illinois-Wisconsin line, the Mississippi River bends west before it rolls south again on its long journey to the Gulf. Along that westward sweep through wide stretches of rich farmland lies the "Farm Machinery Capital of the World."

At least, that's what the "Quad-Cities" call it. The "Quads" are Rock Island, Moline, and East Moline, on the Illinois side of the river, Davenport on the Iowa shore. And the same advantages that brought the farm industry there have drawn other industries, too.

• **Alcoa Plant**—Next week a newcomer will make its bow to the Quad-City area. Aluminum Co. of America will hold an open house to show off its shiny new Davenport Sheet & Plate Mill. Alcoa says the plant is the largest of its kind (picture, above) in the world. Located at Bettendorf, an industrial suburb eight miles upriver from

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OPEN TO EXPANSION • More than 400 small towns and 150 urban areas invite you. Although 6th in industrial output, New Jersey has plenty of room. It's 40% farmland; 46% woodland. Vast frontiers for decentralization are yours . . . plus a fair tax policy, cooperative government, and recreational facilities of lakes, mountains and 120 miles of seashore.



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NEW JERSEY COUNCIL
Dept. of Conservation and Economic Development
Box 312, State House, Trenton 7, N. J.



Davenport, it will have a capacity of 10-million lb. of sheet aluminum and plate a month when it's going full tilt. It will employ close to 2,000 workers.

Actually, Alcoa isn't an entire stranger to the region. During the war it operated an aluminum sheet mill at McCook, Ill. Then in 1946, RFC leased the McCook mill to Reynolds Metals Co. (BW—Mar.9'46,p59). That's when Alcoa started building one of its own. It has put over $74-million into the Davenport plant.

• **Beginning**—Quad-Cities boosters think it's quite natural that Alcoa should pick their part of the country for its new mill. It was the lay of the land that gave the area its start in the first place. That particular piece of east-west Mississippi shore is the best natural crossing in the river's long course. That's why, not quite a hundred years ago, the Rock Island railroad built the first railroad bridge across the Mississippi there. During the century, the pioneer villages that sprang up at the Illinois and Iowa ends of the bridge have become nubs of an expanding industrial center.

• **Why It Grows**—Here are the main reasons why an industrial center grew just there:

Water transport and rail facilities;

Central location in the middle of the midwestern markets;

An economy well balanced between agriculture and diversified industry;

A skilled labor force.

For water transport, there's the river, of course, with its nine-foot channel from Minneapolis to the Gulf.

• **Railroads**—Three major railroads pass through the cities: the main line of the Rock Island from Chicago to the northwest and southwest; the Milwaukee from Chicago to Kansas City, and the Burlington's line from St. Louis to the Twin Cities. Because it's only an overnight journey or less to Omaha, Kansas City, St. Louis, Chicago, and the Twin Cities, the Quads are a natural center for pool stock warehousing.

• **River Shipping**—Manufacturers particularly like the cheap water transportation. Alcoa, for example, will bring pig aluminum from its reduction plants at Alcoa, Tenn., Massena, N. Y., and Vancouver by water. And it's cheaper to ship heavy machinery to the East Coast by the Mississippi, Gulf, and Atlantic Coast than by rail to Gary, Ind.

River shipping has boomed since the war. Barges moved a total of 3.6-million tons of coal, grain, petroleum products, and other freight through the government locks between Davenport and Rock Island in 1948. The 1949 tonnage will be 30% higher, U.S. District Engineers figure.

• **The People**—Population of Rock Island County, Ill., and Scott County,

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HERE IS THE NEW KIND OF TRUCK that is a complete and logical answer to the modern problems of highway truck operators. It permits more payload within legal limits by providing for a more even distribution of the load on the axles. It gives improved roadability at highway speeds, better maneuverability in traffic, greater safety. Its functional styling will stay "modern" for years. In every way, it's *miles* ahead ... the truck of the future in service today.

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Does this sound like some complex forms system—for some giant organization? Not at all. The forms that save all this money are simple, three-part sets—*pencil written,* at that!

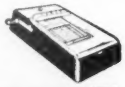
Here's where the saving comes in: The company, a drug wholesaler, used to write *three* forms with each order . . . first, the order form, written by the salesmen . . . second, the invoice; third, the packing slip—*re-written* at the office.

UARCO'S survey showed that all three forms could be combined in one set, filled out by salesmen in one writing. *No re-writing at the office*—all they do is separate the copies. The saving: 3¢ writing time per set of UARCO forms . . . on orders of 100,000, $3,000 per order!

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Iowa, has grown 17% since 1940. The total is now an estimated 231,900. Of the four cities, Davenport is the big one, with an estimated 1949 population of 80,600. Next comes Rock Island, Ill., with 55,000; Moline with 42,900; East Moline, 14,200. Besides the Quads, there are three industrial suburbs—Bettendorf in Iowa, and Milan and Silvis in Illinois.

To a considerable extent, it's a rural population. Many workers in the plants live on small farms within 30 miles of the cities. And it's mostly American-born, with a sprinkling of Swedes, Germans, and Belgians. In Moline, the Swedes outnumber others of foreign birth—thanks mainly to John Deere, founder of the farm-implement company bearing his name. Deere worked hard to get hundreds of Swedes to come to America to work in his shops in the early days of the business.

Labor is nearly 100% organized; the C.I.O. unions hold the fort in the industrial plants, the A.F.L. in the skilled trades.

• **The Plants**—Total manufacturing employment of 304 firms in the area came to 45,923 last July. Just over half the industrial workers are employed in farm-machinery plants.

Biggest single plant is International Harvester's Farmall works at Rock Island, with about 5,500 employees. At East Moline, a second I-H plant normally employs over 4,000. Moline is the home of Deere & Co.: the main office and six Deere plants in Moline and East Moline employ close to 7,500. Two J. I. Case Co. plants at Rock Island and Bettendorf employ another 4,500. Also, in Moline there is a Minneapolis-Moline plant with nearly 900 employees.

The other half of the industrial payroll turns out products ranging from cameras (in Victor Animatograph's new plant at Davenport) to packaging (Container Corp. of America), and cereals (Ralston Purina Co.)—to name only a few.

• **Output and Sales**—Estimated value of the Quad-Cities area's manufactured products in 1948 was $375-million, 15% above the 1947 estimate.

Retail sales of $252-million last year showed a gain of 220% over 1940. Local tradition used to have it that Quad-Cities people make their money in Illinois, spend it in Iowa. But last year's record tells it differently—Iowa and Illinois cities split the retail business about 50-50. Since 1940, Rock Island and Moline's retail sales have been expanding; Davenport has been concentrating on getting new industry.

• **Other Activities**—On a 1,000-acre island in the middle of the Mississippi, between Davenport and Rock Island, there's another big employer. It's the Rock Island Arsenal, biggest govern-

ment arsenal in the country. During the war, it employed 19,000 workers, still has a payroll of over 3,000.

Four national insurance companies have home offices in the Quad-Cities; their total assets come to $257-million. Two are fraternal benefit insurance organizations—Modern Woodmen of America, and Royal Neighbors of America. The other two are Bituminous Casualty Corp., specializing in industrial coverage of mine risks, and North Star Life Insurance Society.

• **Rivalry**—It isn't any concerted inter-city drive for new business that has made the Quad-Cities hum. Rivalry is keen among the four, and it's this that has raised the industrial tally. Each city has an alert chamber of commerce, with plenty of backing from local businesses. Separately, the chambers have put on aggressive expansion drives over the past 20 years. The four newspapers that serve the communities have helped with the boosting.

• **Change of Name?**—Industrial and civic leaders, with an eye on the fast-sprouting suburbs of Bettendorf and Silvis, remark wryly that the day may come when the Quad-Cities will have to change their name to Sextuplet-Cities.

Operator Gives Up Mt. Rainier Concession

The Rainier National Park Co. is going out of business. It has operated the tourist facilities at Mt. Rainier in the state of Washington since 1916. But now it has told the Dept. of Interior that it cannot operate on any basis proposed by the department and will withdraw Dec. 31.

Negotiations between the Interior Dept. and the company have been going on for several years. At one time the company had a 20-year lease, but for the last two years it has operated under a year-to-year extension.

• **Losses**—Operating tourist lodges and facilities at high altitudes has had several drawbacks in Rainier. It means a short summer season, lasting usually about 60 days. The week-end skiing business has always been a loss because snow so often closes the roads. Result: In 13 of 33 full years, the company lost money.

The company couldn't get together with the Interior Dept. on the terms of another long-term lease. The department wants $2-million spent on new, fireproof, year-round facilities. It will allow a maximum return of 6% on depreciated value. It requires a 44-hour week next year and a 40-hour week thereafter. The 40-hour week would add $25,000 to the payroll, the company reported.

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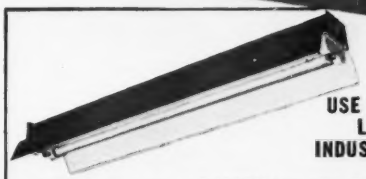
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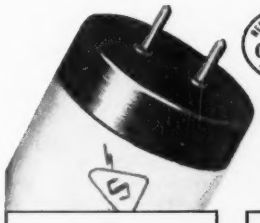
✓ Field tests for over 2 years in plants, offices, factories, on over 11,000,000 of these lamps prove beyond doubt that your initial cost of buying the lamps is your only one for years to come!

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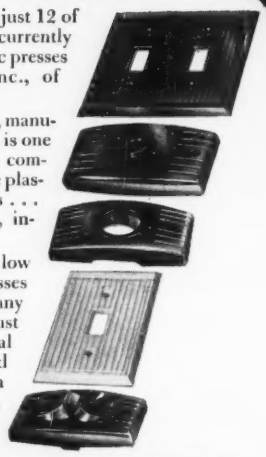
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STOKES KNOWS HOW

More Texas Pipe

Consolidated Western Steel begins new pipe mill at Houston to supply expanding natural gas lines.

Houston is getting a lot of large-diameter pipe capacity—in a hurry. U. S. Steel Corp. is the latest entrant in the race for the state's rapidly expanding pipeline business.

• **On Smith's Heels**—A couple of weeks ago, A. O. Smith Corp. and Armco Steel unveiled plans for a pipe mill alongside the Sheffield steel plant in Houston (BW—Oct.1'49,p24). Now U. S. Steel's Consolidated Western Steel Corp. has an 80-acre site on the Houston ship channel, and the beginnings of a $5-million mill to make electric-welded steel pipe.

Consolidated's mill, already under construction, is slated for completion some time next spring. The steel plate used in rolling the pipe will come by barge from U. S. Steel mills in the East. After the pipe is fabricated in Houston, it will be transported by rail to the point of use.

The new mill will have a capacity of 100,000 net tons of 24-in. diameter pipe a year; it will also make pipe as large as 36 in. in diameter. Thus, Consolidated Western will be able to compete in the Texas market, particularly for the buyers of large-diameter pipe used in long-distance oil and gas lines. (At present, U. S. Steel has no facilities for production of this kind of pipe east of the Rocky Mountains and south of Pittsburgh, Pa.)

Consolidated Western picked Houston for the site of the mill as part of a plan "to provide Texas-fabricated pipe to the growing network of oil and gas transmission lines originating in the Lone Star State," Alden G. Roach, president of Consolidated said.

• **Huge Expansion**—In the first eight months of 1949 about 2,340 mi. of pipeline were put down in Texas. This represents about 240,000 tons of steel pipe. The country, as a whole, of course, consumed an even more enormous tonnage of pipe. The natural gas industry alone used about 1,500,000 tons of steel pipe in 1948.

The enormous expansion of pipe manufacturing is mainly the result of the increased use of pipe to transport oil and gas products. Within the last few years a network of oil and gas transmission lines has spread over the entire country and is continuing to spread. Last year more than 14,000 mi. were completed; over 20,000 mi. were under construction or authorized at the beginning of this year. The American

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Gas Assn. recently estimated about $2.7-billion will be spent on natural gas pipelines alone during the five-year period from 1948 to 1952.

• **Demand for Gas**—The boost in pipeline construction is due mainly to the great demand for natural gas—particularly in the East. Under the present construction program all but five of the states will have a supply of natural gas. Gas is now transported through a pipeline network totaling about 250,000 mi.—greater than the mileage of all the railroad systems.

• **Fanning Out**—New pipeline projects are fanning out in all directions from the great producing areas of Texas and Louisiana. The longest line now under construction is the Transcontinental Gas Pipe Line Corp.'s 2,400-mi. line from the Rio Grande Valley to New York and eventually to Boston. This is a 30-in. line. Tennessee Gas Co. has approval for a line to Buffalo, N. Y., and has made application for a 383-mi. extension to Worcester, Mass.

Northeastern Gas Transmission Co., which has been formed to act as transporter and wholesaler of gas in the New England market, would lay 510 mi. of line costing $17-million. Northeastern plans to receive gas from Tennessee Gas and from a connection with Transcontinental's line to New York City. Texas Eastern Transmission Corp. is also considering a plan to enter the New England market.

• **Outside the East**—Texas-Illinois Natural Gas Pipeline Co., subsidiary of Peoples Gas, Light & Coke, plans a new system of 1,000 mi. of 30-in. line from Texas to Chicago. Pacific Gas & Electric is building a 34-in. line from El Paso to San Francisco, a distance of 504 mi. Tennessee Gas Transmission Co. has a large expansion program. United Gas Corp., the largest distributor of natural gas, is spending $30-million in 1949 to expand its facilities in several southern states.

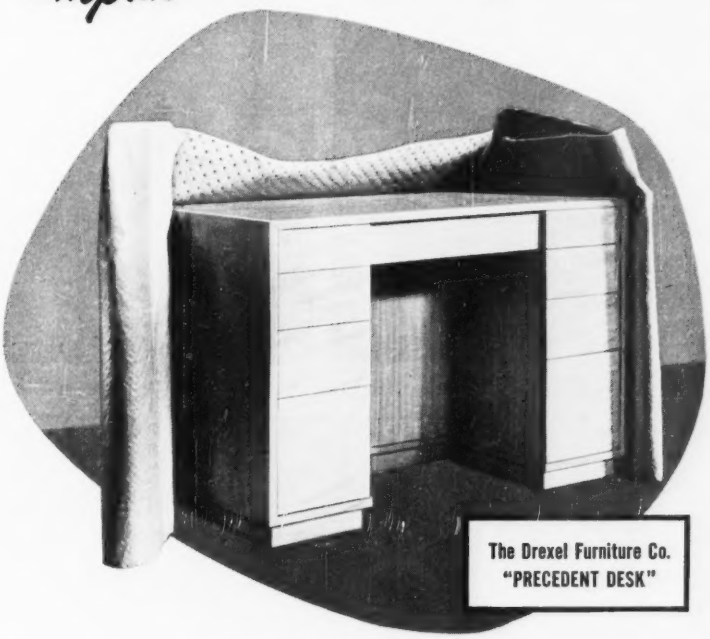
STATE GOVERNMENT STUDIES

The idea of the Hoover commission has been picked up by the states to study their own governmental setups.

At least seven states have bodies patterned after the Hoover model at work on ways to eliminate duplicate operations and to develop more direct lines of organizational responsibility.

New Hampshire set up a seven-man group whose recommendations went into effect when either house of the legislature approved them. Arizona's study covered all phases of state operation—from purchases to personnel and administrative functions. Wisconsin and Idaho have two-year investigations under way. Iowa, North Dakota, and Connecticut have also authorized committees.

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4. Completely packaged, the desk is now safely protected against the hazards encountered in handling, storage and shipping.

All photographs courtesy of Drexel Furniture Co., Drexel, Morgantown, and Marion, North Carolina.

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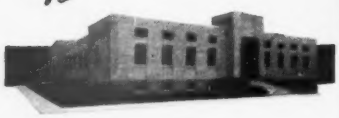
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MAIN STREET

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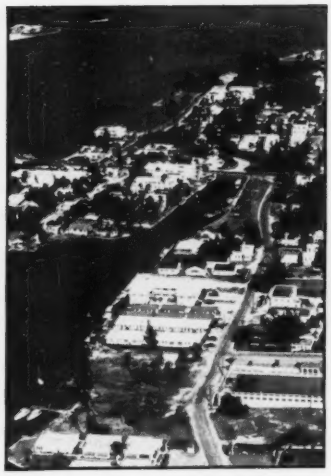
Dunham engineers recently perfected methods of job-scaling Vari-Vac to fit *any* size or type of building . . . regardless of climatic conditions. Seven different systems are available.

For further information, write for Bulletin 509. C. A. Dunham Co., 400 W. Madison St., Chicago 6, Ill. *In Canada:* C. A. Dunham Co., Ltd., Toronto. *In England:* C. A. Dunham Co., Ltd., London.

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Florida's Year-Round Boom Town

The Fort Lauderdale (Fla.) Rotary club has to hold two luncheon meetings a week—one isn't enough to take care of all the visiting Rotarians. This sums up neatly what is happening to this east-coast Florida town that has grown from 26,000 people in 1945 to more than 40,000 today.

• **Building Boom**—In that time Fort Lauderdale has acquired, among other things, a $2.5-million yacht basin, five new hotels, some $55-million worth of private construction. There are eight new churches—a good clew to its homey, conservative character. Each month the city issues 150 building permits.

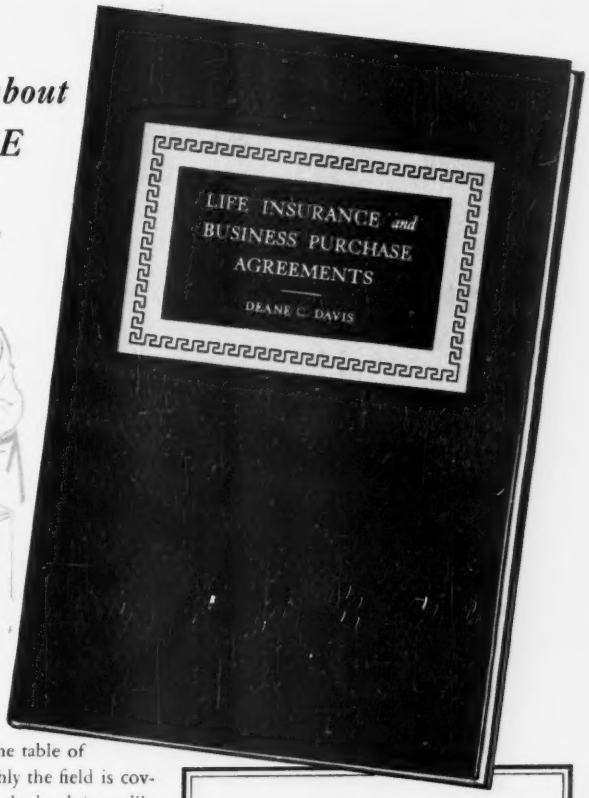
Last season some 100,000 tourists left $35-million in cash in Fort Lauderdale. But for its prosperity it is equally indebted to its year-round economy.

• **Farming and Shipping**—Nearby is fabulous Broward County, which boasts both rich Everglades agriculture and a plentiful supply of low-cost labor. The city estimates that some $20-million of its annual income comes from citrus fruit, winter vegetables, and cattle.

There is also Port Everglades right on the edge of town. It is a deepwater port handling refrigerated ships from Latin America, lumber from the Pacific Coast—and, most important of all, petroleum products. With 68-million bbl. of storage capacity, Port Everglades is the main distribution center for petroleum products in southern Florida.

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HERE AT LAST, in one handy volume of only 70 pages, is finger-tip reference to all phases of that increasingly popular form of business protection — business purchase insurance. A glance at the table of contents at the right will show you how thoroughly the field is covered. Deliberately written in a clear, concise style, the book is readily understandable to the layman. At the same time, it should prove invaluable to counsel who are called upon to draft business purchase agreements, or to deal with the tax phases of life insurance.

The author is Vice President and General Counsel of the National Life Insurance Company and a widely recognized authority on his chosen topic. Insistent demand for this work soon exhausted the first printing. This is the second edition, brought up to date with recent rulings and cases in point, as well as considerable matter not included in the original.

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ABBREVIATED TABLE OF CONTENTS

The Partnership as Beneficiary
The Corporation as Beneficiary
The Wife as Beneficiary
The Other Partner or Stockholder as Beneficiary
The Trustee as Beneficiary
Who Shall Own and Control the Policy
Valuation of Business Interest
Valuation Agreements between Members of Family
Provision in Will
Optional Settlements
Restrictions on Sale, Assignment & Borrowing
Bankruptcy
Post-Mortal Profits
Liquidation Agreements for Personal Service Partnerships
Tax Problems Involved in Business Insurance Agreements
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CONSTRUCTION

The Steel Strike Hurts

Many heavy construction jobs are already stymied by lack of structural shapes. Some 70% of steel fabricators are shut down; others will follow soon. Reinforcing bars can still be obtained.

The construction industry has already been hit hard by the still-young steel strike. In prewar years, a strike at this time of year would not have been so serious, because construction would have been in a seasonal lull anyway. But that pattern has largely disappeared since the war.

• **Two Types**—The industry uses, mostly, two types of steel: (1) concrete-reinforcing bars and wire-net reinforcing; and (2) structural shapes.

There is still no trouble getting the reinforcing materials. These are almost entirely standard items. Warehouses have enough in stock to supply normal demand for at least another month.

Shapes are another story. The trouble is that most of them—from I-beams all the way up to complicated bridge structures—are especially fabricated for each individual job. So warehouse stocks are necessarily small and incomplete.

• **70% Down**—Steel-industry sources say that, when the big mills went down, most of the fabricating plants—which are also organized by the steelworkers' union—went with them. The estimate is that 70% of the fabricating plants were down at the beginning of this week. And the other 30% are bound to follow soon, as their supplies of steel are cut off.

Steel people figure that, for each week the strike continues, structural steel worth about $8-million erected isn't going out. And structural steel, on the average, accounts for some 20% of the total cost of structures b[illegible] built.

• **Cumulative**—This does not mean that $40-million a week of new construction is being lost—not yet, anyway. But the effect is bound to be cumulative. Right now, some jobs find themselves able to continue with the steel they already have on hand or can still get; others are already stymied by lack of key pieces.

"It's as simple as this," one engineer commented. "You have ordered shapes for a specific job. If, at the time the strike starts, you have all of your first tier completed except for columns 1, 3, and 7—then your tier cannot be erected, and all the other stuff on hand just clutters up your yard. A lot depends right now on luck. If the needed steel was, by chance, ordered and delivered in just the right quantity at just the right time, your job may continue."

• **Slow Start Due**—Just as the effects of the strike will be cumulative, the recovery from it—once it's over—will be slow. Those key parts are going to be hard to lay hands on for a while. And, as one steel man put it, "You don't get steel from a cold furnace just by throwing a switch."

Carolina Road Builders Want to Build Roads

North Carolina—like Pennsylvania in the days of Gifford Pinchot—has launched a program to "get the farmer out of the mud." The project: $200-million worth of rural-road construction. But so far the program has stirred up clouds of dust. At the center of the storm are the road-building contractors, who want the construction job.

• **Reassuring, But**—The state's latest move was to let contracts to private contractors covering 190 miles of road-work. That was reassuring as far as it went, but it still represented only a small part of a $200-million outlay.

Here's what happened:

Last June Gov. W. Kerr Scott won a referendum for a $200-million rural-road bond issue, with enthusiastic backing from road contractors. But the state's next step gave the contractors pause. It authorized the purchase of roughly $4.5-million of road-construction equipment; the money was to come out of the first $50-million of the bond issue. That looked as though the state were going to do its own road building.

• **Protest**—The contractors—through the Carolinas Branch of the Associated General Contractors of America and the Carolinas Road Builders' Assn.—protested. They said they had plenty of idle equipment themselves—over $17-million worth on Aug. 15. And they argued that the state investment would just mean a drain on the taxpayers; they figured that every dollar spent on machinery would entail $5 for its care.

Gov. Scott rejected their protest. He said that whoever "can build the roads cheapest is going to do it." The contracts let so far involve 29 projects.



Let's get down to earth . . .

IMAGINE stealing three billion tons of earth every year! That's what soil erosion has been doing. And this gigantic theft has cost farmers billions of dollars. For good earth is *not* dirt cheap.

"Stop erosion!" has become the farmers' war cry. Agricultural agencies have joined the farmers. Together, they have turned to the farm machinery makers. They've asked for bigger and better bulldozers, tractors, graders for necessary ditching and terracing. But to build this super farm machinery takes tougher steel, *new alloys.*

Here is where UCC enters the allied offensive against erosion. Drawing on its vast engineering experience, UCC contributes modern metallurgical techniques and alloys. This co-operation with steel manufacturers helps the farm machinery makers . . . who then are able to give the farmers the equipment they need.

How is the "war" going? The farmers are winning. Dust bowls are vanishing. Sterile lands show signs of life. Yes, the farmers are winning their fight against soil erosion with a combination of new equipment, revegetation and crop rotation.

Union Carbide is proud of its part in this effort. And the people of UCC stand ready to help solve other problems . . . wherever better materials and processes are needed.

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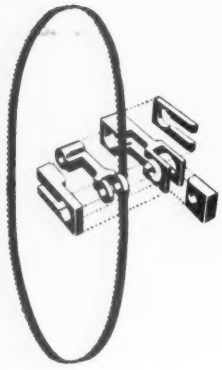
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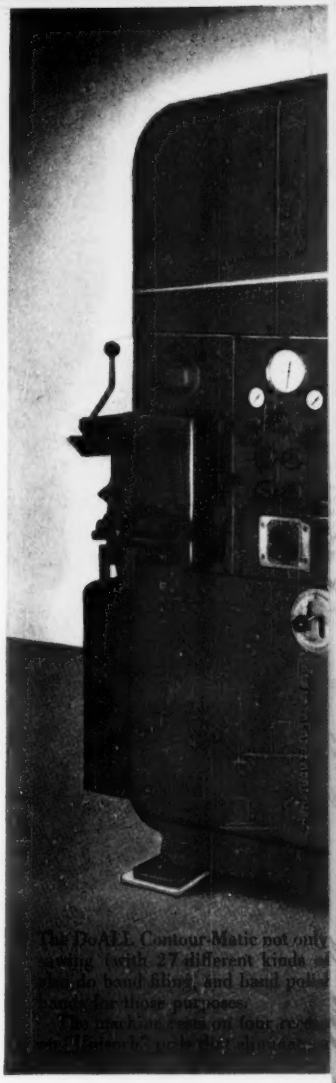
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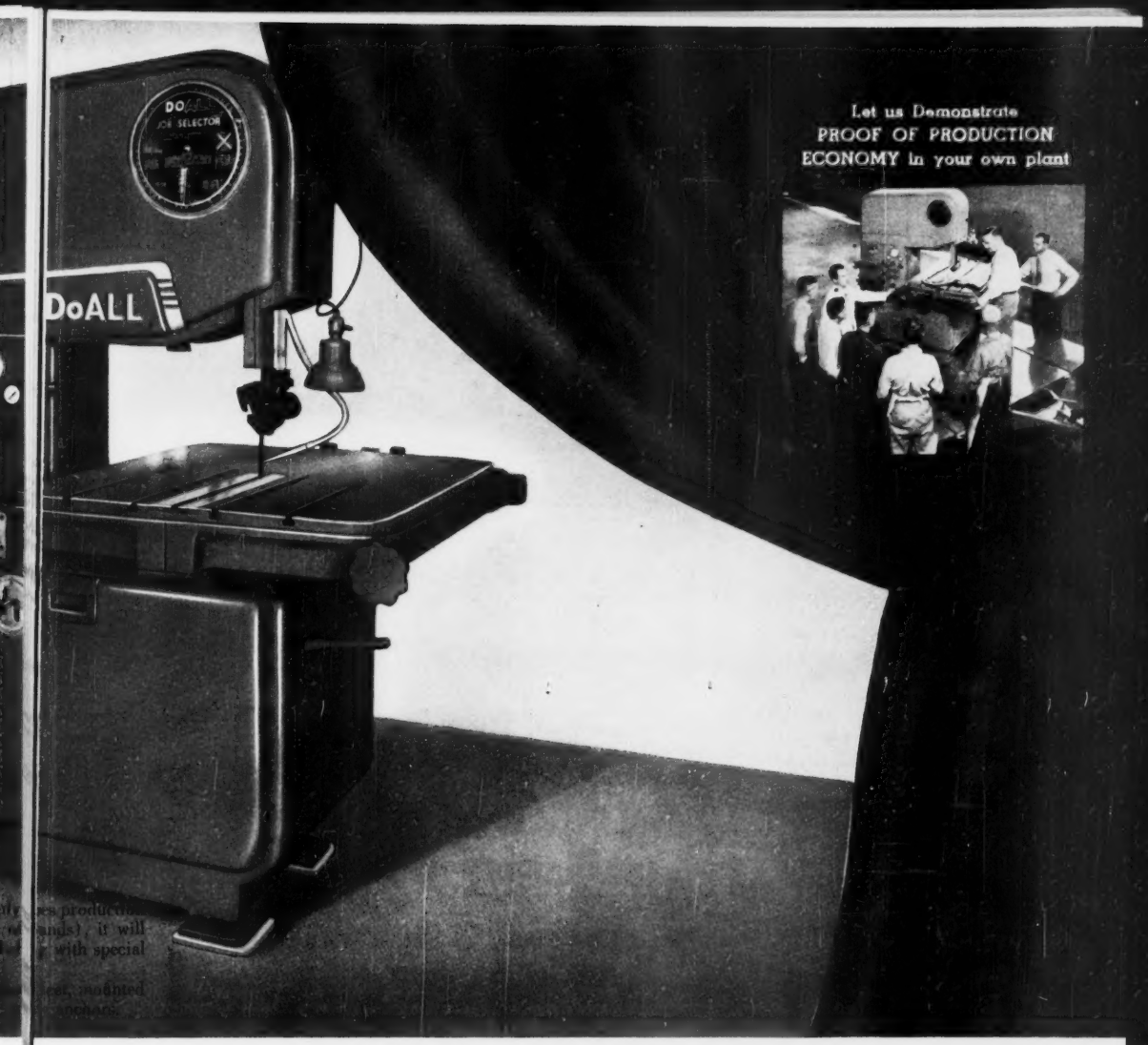
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plate cuts best with 50 fpm travel, "Formica" cuts best at while stainless steels require fpm to friction saw.



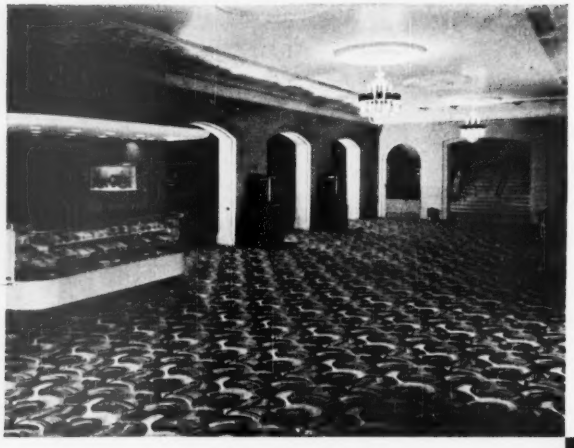
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MARKETING

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If you ran the only general store in a small town, you would have to carry a wide variety of products. That's because, with only a few customers, you have to sell a lot of different items to each person to keep your volume high enough to make a decent living.

• **The City Specialty**—In a big city, however, you don't have to carry everything. That's the theory of the specialty shop. You can, if you want, specialize on one highly restricted line; then, by selling your product to a lot of people, you can keep your volume high and your business profitable.

• **Switchback**—That is the theory on which D. A. Schulte, Inc., built its chain of cigar and tobacco stores in the larger cities of the East and Midwest. But once Schulte had its chain running smoothly, it got other ideas about how to make profits. Like many another specialty operator, Schulte began to point its head—cautiously—back toward the general store.

The company's idea was not to stock a wide variety of merchandise. Instead, Schulte picked out particular items that had quick turnover in lines that normally carry good-sized markups. Because they were fast movers, Schulte could scale down the markup, spot them around the cigar stores.

The first additions to the tobacco line, made over a decade ago, were cutlery and umbrellas. These supplementary lines were immediately successful.

Later, Schulte went into men's haberdashery—shirts, ties, socks. Volume in these boomed the sales total. Right now they account for more than half of the gross. By 1944, that gross had risen to $21-million, and profits had hit a record-breaking $1-million.

• **Trouble**—But prosperity didn't stay with Schulte. Sales kept about as high, and even edged a little above the 1944 record, but profits skidded downward steadily. For the six months ended Apr. 30, 1949, the company actually showed a net loss of $93,091.

• **Remedy**—Then began a rejuvenation period. Jobs were reshuffled; outside help was called in. In September, it brought in a new president, H. Cornell Smith, a former executive of Quality Retailers, Inc., New York, and more recently of Manhattan's Gimbel's department store.

Even before he took over, Smith announced that the company would expand its men's wear lines considerably.

• **Enter Women's Lines**—Last week, Smith took another step in getting Schulte back on its feet. The tiny tobacco shops are now going to add certain specialized lines of women's wear—hosiery, cosmetics, handbags, jewelry.

Reason for the new move, says Smith, is that about 50% of the people who enter Schulte stores are women. In some stores, the figure runs as high as 75%. So Schulte is going to carry some items that women will go for—and that are easy to buy.

• **Expansion**—But the company is going to do more than add new lines. It will expand the size of some of its store units, add new stores, modernize their appearance and selling facilities.

• **Policy**—From now on, says Smith, Schulte stores will carry only top-grade merchandise, both national and private brands.

"The pricing policy of the chain," he says, "will be not to be undersold by any competition. By the end of 1952, we expect that total sales of the chain will consist of 35% to 40% of women's accessories, the same percentage of men's apparel, with the remainder being smoking supplies, candy, and notions."

Schulte has several yardsticks for selecting just what kinds of merchandise it will carry in addition to its tobacco products. The first: The product has to be a traffic item—one that is more or less a staple item that can be purchased in a hurry and which doesn't require a weighty decision on the customer's part. For that reason, too, the item can't be very costly, since John Customer's impulse purchases drop off quickly as the price of the product increases.

Besides that, though, the item should be one that carries enough of a markup (in the stores that handle it traditionally) to let Schulte trim some of that markup off.

• **Arbitrage**—Schulte's addition of selected lines of women's wear is merely one more manifestation of a growing trend in retailing—the trend that has set drug stores to selling electrical appliances, grocery stores to selling drug items.

One of the most lucid explanations of this trend has been made by Victor



IN NEW JERSEY

What's the best method to do a job *right?* That's important in New Jersey — where research is so concentrated that we've been called the "Scientific State."

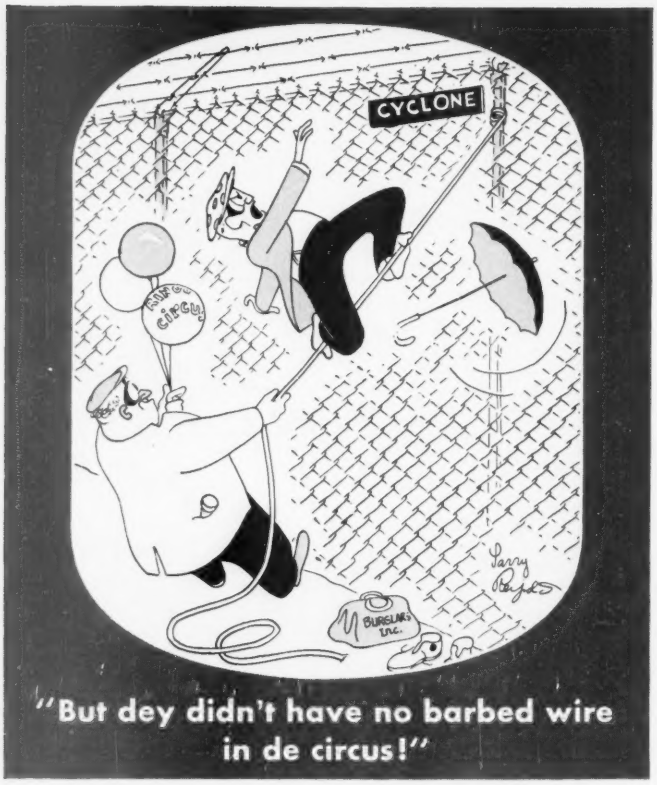
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UNITED STATES STEEL

Lebow, vice-president in charge of sales and advertising of the Chester H. Roth Co., Inc. Writing in the Journal of Marketing (in the July, 1944, and July, 1948, issues), he put it this way:

"High distribution costs attract lower-cost producers and distributors who are faced with declining markups and intensified competition; I have called this process 'marketing arbitrage.' We shall see both manufacturers and distributors go into new fields or take on new commodities precisely because the traditional selling costs or markups of the 'oldtimers' are higher than those of the newcomers.

"Taking, for example, the price of a pair of Nylon stockings in various outlets, based upon a wholesale price to the retailer of 50¢ per pair, here is how the different outlets would have to sell these stockings, under their traditional markups:

Florist's Shop	$1.23
Bakery Shop	1.12
Jeweler's	1.01
Fur Shop	1.00
Radio Store	.92
Furniture Store	.89
Gift Shop	.88
Department Store	.79
Variety Store	.74
Drug Store	.73
Filling Station	.67
Grocery Store	.62
Combined Grocery and Filling Station	.61

"Obviously, here appears a formula by which one type of distributor can 'raid' the fastest moving, biggest traffic building items of another."

Where will all this economic arbitrage end? Clearly, the fast-moving items tend to move into the outlets with low markups. Perhaps that tends to force all retailing to find ways of getting their markups down. Here's an hypothesis made by Lebow:

"Picture a conveniently located self-service supermarket in which all the products offered will be under one brand name, their quality determined by independent testing laboratories and authenticated by seals nationally recognized and fully accepted by the consumer. Since all articles are under one brand name, there will be variety, but it will be reduced to a minimum; there will be no duplication such as is required when competing brands are stocked. All prices will reflect the absence of promotional costs such as are needed to build up national brand preference, and the lower warehousing costs of the chain or co-operative warehouse as against the greater expense of manufacturers' outlets or the old-line wholesaler.

"We shall not see such an institution in the postwar period, but this is the theoretical limit of efficiency in distribution toward which retailing will now have to move."

lowering the price tags on America's steam-power



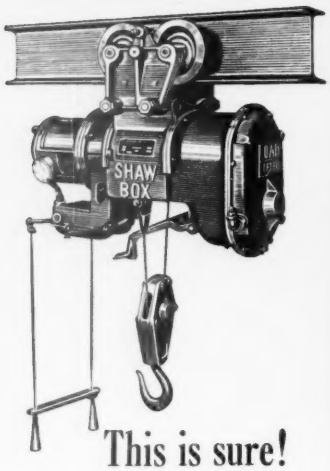
This scene typifies the great move toward modernization-for-savings, now taking place throughout the power industry, the manufacturing industries, and commercial and institutional public services of every kind, all over America. B&W boilers, preferred for this wide range of capacity, space, and fuel requirements, are continuing to set new records for dependable, economical performance.

For example—a leading utility shows substantial first-cost savings with B&W outdoor boilers . . . another increases efficiency with B&W reheat . . . still a third employs the latest B&W firing method to obtain fuel economy and maximum control of stack dust. Favorable reports by the score—a wood-products manufacturer burns sawdust at a savings in a special B&W furnace . . . a paper mill gets more efficient by-product steam and chemical recovery with B&W Black Liquor units . . . a steel mill replaces 43 boilers with five new ones, increasing capacity, saving fuel, space . . . a greenhouse modernizes for closer control of temperature, easier maintenance . . . a laundry improves quality of process steam, saves space . . . a charitable institution doubles its enrollment and the steam capacity needed for comfort-heating . . . one manufacturer saves 20% on fuel, 37% on space . . . another generates by-product electric power, estimates $1/4 million savings annually . . . *and so it goes.*

There's a chapter for you in B&W's 80-year old story of designing-building boilers and component equipment for specific applications. Write the Babcock & Wilcox Co., 85 Liberty St., New York 6, N. Y.

BABCOCK & WILCOX

N-80



This is sure!

THERE are no lifting jobs, within the capacities of 'Load Lifter' electric hoists, that they cannot handle at the lowest cost for operating and maintenance and with perfect safety for man and hoist.

How do they differ from others? In addition to the simple, rugged construction, they have many special features no other hoist contains in their entirety. Self-enclosed ball-bearing motor; one-point lubrication; two-gear reduction drive; safety upper stops and lower blocks—and others.

In these special features, and the overall design, is the endurance that enables 'Load Lifters' to tackle the toughest, clock-round lifting with every load at capacity, with minimum upkeep and freedom from breakdown.

Do not worry if there are difficult conditions of installation or daily use. Our engineers have solved hundreds of problems with a 'Load Lifter' or some combination, and their knowledge is yours. Give us the facts. We will recommend the best installation for you.

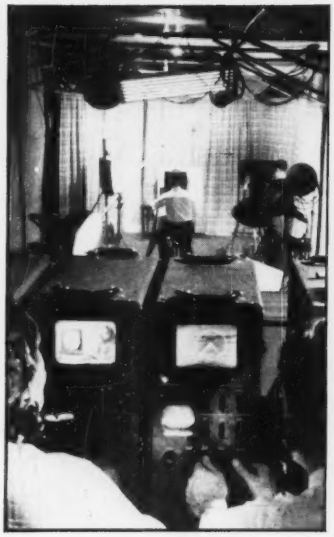
'Load Lifter' Electric Hoists are built with lifting capacities of 500 to 40,000 lbs. in all combinations required for industrial needs. They are adaptable to almost every working condition within their capacities. Send for Catalog No. 215.

MAXWELL MANNING MOORE INC. TRADE MARK

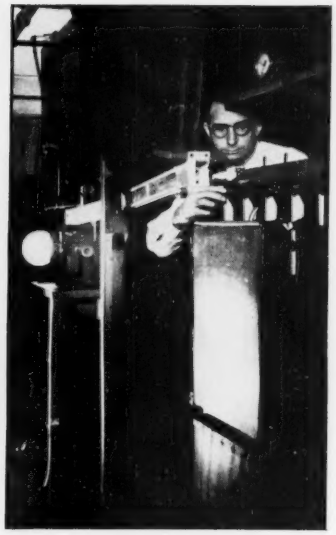
'LOAD LIFTER' *Hoists*

MANNING, MAXWELL & MOORE, INC.
MUSKEGON, MICHIGAN

Builders of 'Shaw-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Makers of 'Ashcroft' Gauges, 'Hancock' Valves, 'Consolidated' Safety and Relief Valves, 'American' Industrial and 'Microsen' Electrical Instruments.



EDITING TV commercial: Technician watches screens, one for each camera in studio below. He shifts back and forth, sending single image to . . .



SINGLE TV SCREEN, when movie camera photographs image. In this Paramount setup, film goes directly through high-speed developer in single process.

TV Produces—On Film

Use of film in television has become big business. Networks use films to retelecast shows; other companies film commercials to sell to advertisers. And films of TV events are playing in movie houses.

Television is beating out the motion picture industry at one point where it probably never expected to—in use of motion-picture film. In the past eight months, video networks used more film to record TV shows than Hollywood's major movie studios used in a year on their feature-picture productions.

• **Uses**—For television, films are now used in three ways:

Retelecasts. TV studios film their own live shows, pass the films to affiliated stations that aren't hooked up by coaxial cable, for retelecasting to home receivers.

Canned commercials and packaged shows. Service companies make films of commercials, sell them to advertisers for use with TV shows. Independents are putting out complete packaged shows on films.

Movie-house shows. Projecting film records of special TV events in motion picture theaters seconds behind the actual event is a growing business (BW—Aug.13'49,p26). Object: to keep up the box office on big-fight nights.

• **Big Name Shows**—Lack of a cross-country coaxial cable has long barred East Coast TV networks from presenting big name shows originating on the West Coast. Last week the first big-namer to be telecast from the West Coast for retelecasting over an eastern network made its debut. The program was the Ed Wynn show sponsored by Speidel Corp. It originated "live" on Sept. 22 when it went on the air from Los Angeles over Columbia Broadcasting System's West Coast network. As the show was telecast, a sound camera set up in front of a TV set recorded it. Then prints were flown east for last week's broadcast over CBS' eastern network.

• **Fast Grower**—Film recordings of TV fare are to television what electrical transcriptions are to radio. Both originated as a means of keeping a program file on hand for historical and legal reference. The success of radio transcriptions as money-makers for the networks is an old story. Now film recordings of TV shows seem to be headed down the same road. In less than two years the practice of using film for retelecasting has become an industry within an industry.

In fact, it has grown so fast that a standard name for the technique has

yet to be coined. Everybody has a different word for it.

National Broadcasting Co., for example, calls its process Kinescoping after the RCA Kinescope tube used in its recording camera. DuMont calls its process Teletranscription. At American Broadcasting Co., it's Video Recording, while CBS has dubbed its system Television Recording. Paramount Television Productions, Inc., a subsidiary of Paramount Pictures, Inc., terms its method Video Transcriptions. But no matter what you call the processes put them all together and they spell out a fast-growing industry.

• **Problems**—It has taken more than 10 years to get filming of TV shows out of the development stage. The major obstacle was how to get 30 TV screen images to equal 24 camera images. High-fidelity TV flashes 30 images per second on the screen of your set. Up to last year, all motion-picture cameras had been standardized at 24 images per second. This difference in the image rate gave technicians a tough nut to crack. When they used a conventional movie camera to film directly from the surface of the TV picture tube, they just didn't get pictures.

• **Progress**—In March, 1948, NBC and Eastman Kodak Co. jointly developed the Kinescope TV recording camera and shot the first half-hour show ever put on sound film. Other networks licked the problem with their own recording cameras. In effect, these cameras pick up the same number of images transmitted over your TV set.

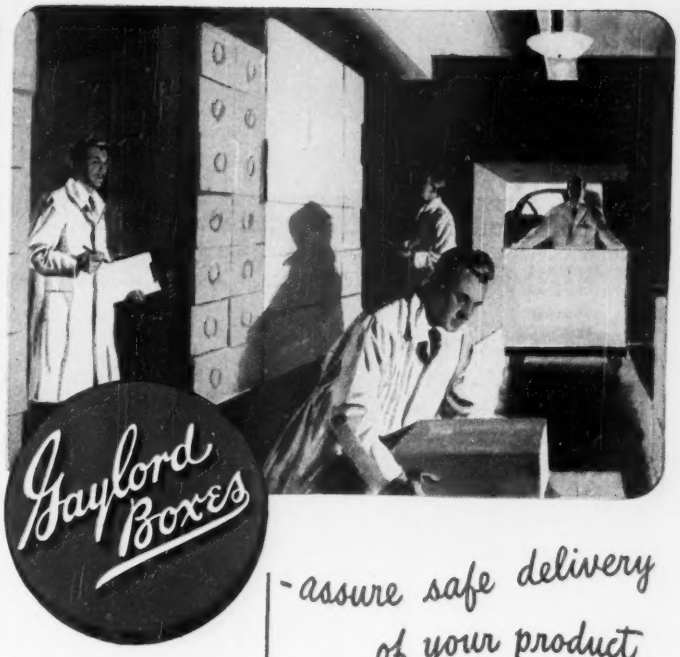
Last July Paramount video transcribed the first sponsored show—Armchair Detective (Whitehall Pharmacal Co.). This program originates live in Los Angeles, where it is filmed from a TV set on an open circuit. (An open circuit means that the telecasts go out over the air to receivers outside the studio—your home set, for instance.) Prints are flown to New York for retelecasting over five CBS East Coast stations that are connected by coaxial cable. Because the stations are connected, one print of the show is enough for all five.

The Film Division of NBC Kinescopes several of its big nighttime programs.

• **The Price**—How much does a sponsor pay for a TV film? The amount varies from network to network, but it averages out at about $475 for a film of a one-hour show. Price includes delivery of one print. Additional prints cost about $100 each.

Paramount operates differently from the networks. It doesn't make the films. Instead, it leases its studio and equipment to independent producers at a daily rental of $1,500.

• **Canned Commercials**—Retailers Television Service, Inc., New York, is a big user of Paramount's facilities. Launched



-assure safe delivery of your product

. . . a safer trip from factory to consumer

You want your product delivered to the user in the best possible condition.

You want it carefully protected through all the channels of distribution which it must travel—whether by train, truck, plane or ship.

You want your shipping containers and packages to reflect the quality of your product and to build sales.

To avail yourself of these advantages, call the nearest Gaylord sales office.



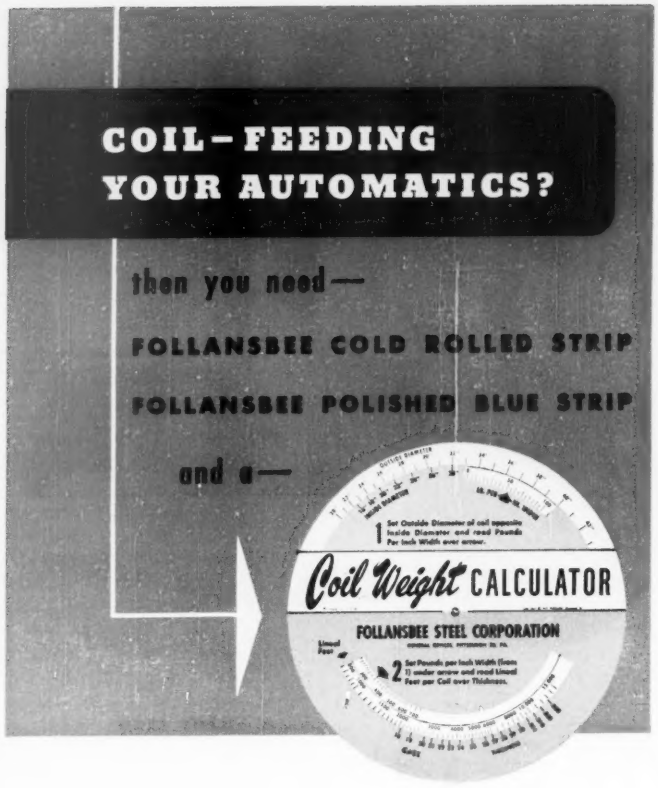
Call your nearest Gaylord Sales office

GAYLORD CONTAINER CORPORATION

General Offices: SAINT LOUIS

New York • Chicago • San Francisco • Atlanta • New Orleans • Jersey City
Seattle • Indianapolis • Houston • Los Angeles • Oakland • Minneapolis
Detroit • Jacksonville • Columbus • Fort Worth • Tampa • Cincinnati • Dallas
Des Moines • Oklahoma City • Greenville • Portland • St. Louis • San Antonio
Memphis • Kansas City • Bogalusa • Milwaukee • Chattanooga • Weslaco
New Haven • Appleton • Hickory • Greensboro • Sumter • Jackson • Miami
Omaha • Mobile • Philadelphia • Little Rock • Charlotte •

192R



Here's just the handy calculator you need for determining the weight of the coils of strip you feed into your automatics.

It's a simple device, like a circular slide rule, which gives you essential data for using Follansbee Cold Rolled Strip and Follansbee Polished Blue Strip in your continuous production lines.

Your Follansbee Coil Weight Calculator is ready for mailing. Just fill out this coupon or write us on your business letterhead.

Follansbee Steel Corp.
Pittsburgh 30, Pa.
I could use a coil weight calculator—

Name_____

Position_____

Company_____

Address_____

FOLLANSBEE STEEL CORPORATION
GENERAL OFFICES, PITTSBURGH 30, PA.
COLD ROLLED STRIP • ELECTRICAL SHEETS • POLISHED BLUE SHEETS
SEAMLESS TERNE ROLL ROOFING
Sales Offices—New York, Philadelphia, Rochester, Cleveland, Detroit, Milwaukee. *Sales Agents*—Chicago, Indianapolis, St. Louis, Kansas City, Nashville, Houston, Los Angeles, San Francisco, Seattle; Toronto and Montreal, Canada.
Plants—Follansbee, W. Va., and Toronto, Ohio.
Follansbee Metal Warehouses—Pittsburgh, Pa., Rochester, N.Y., and Fairfield, Conn.

in May of this year, Retailers TV Service is one of many companies that peddles filmed commercials. It has already made more than 150 canned commercials on film for various advertisers. These films are made on a closed circuit—that is, one on which the show is telecast only to a receiver in the studio; it doesn't go out over the air. Trade-termed "open-end commercials," these are used either as 20-second station breaks or as one-minute announcements.

Retailers TV Service commercials have a running time of either 12 seconds or 40 seconds. If it's a 12-second commercial, allowance is made for two four-second showings of the name of the local dealer who carries the product that is being tele-advertised. The 40-second film permits two ten-second signatures, one at the opening, one at the closing of the commercial.

• **Edit As You Go**—Making commercials or retelecast films from a closed TV circuit instead of shooting the action direct with movie cameras has several advantages. One of the main ones is that the producer has a chance to correct and edit the film as production moves along. This saves the costly retakes that he's apt to run into when he shoots the commercial direct.

Here's the way the operation works. As the commercial is acted out in the studio, several cameras—three, let's say—televise the performance, each from a different angle. The TV cameras are connected to three separate receiving sets in a control room, with a technician for each set. The producer stands behind the controlmen and watches the images on the three receiver screens. He sees a good shot on one screen; the controlman throws a switch which passes that particular image along another closed circuit to a TV receiver set up in front of a motion-picture camera.

In this way, the producer actually edits the commercial as it is being filmed. If movie cameras did the job direct, he would have to edit the commercial in the cutting room, from three separate films.

This method has another advantage. The producer gets good lighting effects—there's no conflict between lights for the television and the movie cameras.

• **Marketing**—As soon as Retailers TV Service gets an advertiser's O.K. on his filmed commercial, it distributes the film to each of 47 markets served by key TV stations. The film is banked with one station in each area. Then word goes out to all TV stations that the film is available; the stations also are told what dealers in their area stock the product advertised. Armed with this information, the stations canvass the dealers; try to sell them air time. The advertiser also notifies his dealers that the film is available.

In most cases the local retailer pays

for time on the air, gets his film from the TV station bank, and is free to use any local TV station he chooses. That's O.K. by the bank, because it gets first crack at the dealer list.

The advertiser pays for the cost of film production, sales promotion, and handling of prints. It runs about $2,500 for a series of ten commercial films.

MARKETING BRIEFS

Inadequate distribution facilities is the reason given by Chicago's Butler Bros. for discontinuing its heavy furniture lines. These normally account for some 30% of the company's wholesale furniture sales.

•

Liquor sales still aren't legal in Oklahoma. For the fifth time the Oklahomans have voted down repeal of their 42-year-old prohibition law.

•

Pound devaluation means bigger purchases of British goods by Ohrbach's, New York City chain of specialty stores. It will spend $250,000 in Britain next year—more than double the amount it spent there last year.

•

Commercials are now being broadcast over the public-address system in New York City's Grand Central Terminal. Travelers now hear 25 sales plugs an hour, interspersed with weather reports, music, and news—but no train information.

•

An old direct-mail trick has been adopted by Guerlain, French perfumer. From several U. S. stores it got lists of perfume-buying consumers. Then it sent them each a hand-addressed letter from Paris promising a sample and telling all about (and where to buy) its new Fleur de Feu.

•

A new branch for home furnishings will be opened by New York City's W. & J. Sloane in Manhasset, L. I., next spring. That will be Sloane's seventh store.

•

Sale of station WHAS in Louisville to Avco Corp.'s Crosley Broadcasting Corp. has failed to get FCC's approval. The commission's reason for refusing to O.K. the application: WHAS's area overlaps that of WLW, Crosley's Cincinnati station.

•

More Southern textile mills are selling their company-owned houses to employees. Biggest sale coming up: Avondale Mills, 2,000 homes, worth $4-million, in Alabama. Other sales: Virginia's Dan River Mills (97 houses), South Carolina's Limestone Mfg. Co. (197), Alabama's Huntsville Mfg. Co. (269).



The "muscle" that puts hustle in lift trucks

Pesco "Pressure-Loaded" Pumps . . . a Borg-Warner development

By now you probably take the modern lift truck for granted—no longer marveling at its astounding feats in lifting, hauling and stacking materials. But did you ever wonder where it gets its "muscle"—the power to lift loads of 15,000 pounds or more?

On most modern lift trucks it comes from a Pesco "Pressure-Loaded" Pump engineered and produced by Borg-Warner's Pesco Products Division . . . an adaptation of the service-proved hydraulic equipment developed by Pesco for military and commercial aircraft.

The result is easier, faster, safer handling of materials, at far lower cost than ever before.

This application of Pesco "Pressure-Loaded" Hydraulic Pumps to modern materials handling is a typical example of how Borg-Warner serves industry through advanced engineering and precision production.

Perhaps your product or processes can benefit too from Borg-Warner's engineering skill and production facilities. Feel free to talk things over with us —without obligation.

B-W ENGINEERING MAKES IT WORK

B-W PRODUCTION MAKES IT AVAILABLE

Almost every American benefits every day from the 185 products made by

BORG-WARNER

ENGINEERING B-W PRODUCTION

THESE UNITS FORM BORG-WARNER, Executive Offices, Chicago:

BORG & BECK • BORG-WARNER INTERNATIONAL • BORG-WARNER SERVICE PARTS
CALUMET STEEL • DETROIT GEAR • DETROIT VAPOR STOVE • FRANKLIN STEEL • INGERSOLL STEEL • LONG MANUFACTURING • LONG MANUFACTURING CO., LTD. • MARBON • MARVEL-SCHEBLER CARBURETER • MECHANICS UNIVERSAL JOINT • MORSE CHAIN • MORSE CHAIN CO., LTD. • NORGE NORGE-HEAT • PESCO PRODUCTS • ROCKFORD CLUTCH • SPRING DIVISION WARNER AUTOMOTIVE PARTS • WARNER GEAR • WARNER GEAR CO., LTD.

Keep Prospects Reminded with New Low Cost

Autopoint
TRADE MARK
BETTER PEN

Glides Ink on Dry

A GREAT PEN
By the Makers of "Autopoint"
BETTER PENCILS

Give this beautifully balanced, luxurious looking "Autopoint" BETTER PEN as a business gift. Carrying your name, slogan or trademark, it will step up your sales, build lasting good will. Every user will appreciate its plus features:

- a better ball point pen precision engineered as a companion to famous "Autopoint" pencils.
- glides ink on dry. Gives a new experience in smooth, effortless, trouble-free writing.
- replaceable precision-made cartridge controls ink flow, giving permanent new pen performance.
- exclusive Pocket-Level Rocker-Action Clip that really grips.
- cap handsomely crafted in rich, distinctive metal finish.
- beautifully balanced barrel fits the hand. Choice of colors: black, dubonnet, green or white.
- full length DeLuxe Model No. 633 shown, or Purse and Vest Pocket Model No. 635.

Low Quantity Prices for Business Gifts. Mail Coupon for Free Catalog

REFILL IN A JIFFY
PRECISION CARTRIDGE

The exclusive "Autopoint" Writing Cartridge that glides ink on dry. Long-lasting ink supply. You refill in a jiffy with the full-length cartridge... retail 40c.

FULL LENGTH DELUXE MODEL NO. 633 RETAIL $1.00

Companion Pencil In Matching Set

Same size as Model 633 Pen, with matching cap, clip, tip and colors. Has famous "Grip-Tite" tip that won't let leads wobble, turn or fall out. Pencil retails $1.50. Pen and Pencil set $2.50. Costs less in quantities. A business gift that will be long remembered.

"Autopoint" is a trademark of Autopoint Company, Chicago

MAIL COUPON FOR CATALOG

AUTOPOINT COMPANY
Dept. BW-10, 1801 Foster Ave., Chicago 40, Ill.
Send me free catalog giving quantity prices on "Autopoint" Better Pens and business gifts for advertising and good will use.

Name.....
Position.....
Company Name.....
Street Address.....
City.....*Zone*.....*State*.....

Exclusive Dealing Draws New Fire

Government steps up its campaign against such contracts following FTC's victory in case against Standard of California.

Companies that have their dealers or distributors tightly sewed up through exclusive contracts had better look to their lawbooks. For the Supreme Court's refusal this week to reconsider its decision in the Standard Oil Co. of California case means that the heat is on.

•Attack Spreads—Exclusive-dealing contracts have been under heavy fire—from both the Federal Trade Commission and the Justice Dept.—ever since the original Standard of California decision was handed down by the Supreme Court last summer (BW—Jun.18'49, p21).

Most of the emphasis has been on consumer products. But now the attack is spreading across the board to hit industrial products, too. Latest example: A cease-and-desist order against the C. Lee Cook Mfg. Co., Louisville, Ky., for selling its metallic compressor-packings on the condition that purchasers do not use any packing or repair parts made by its competitors. The company specializes in parts and supplies for compressors used in the oil industry and by gas pipelines.

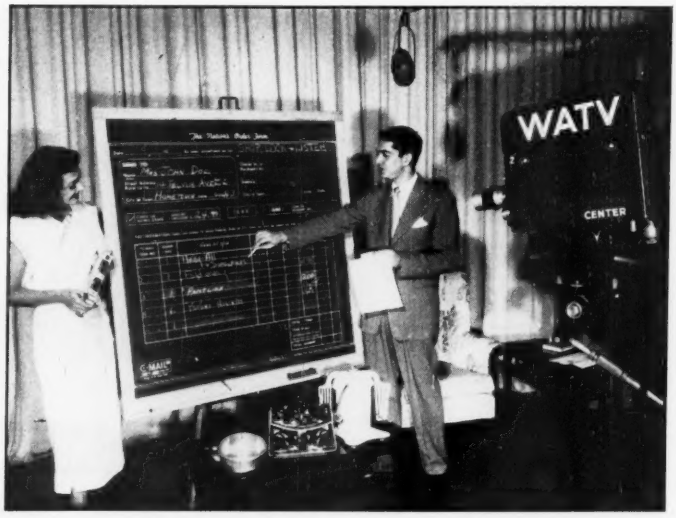
• Harley-Davidson Case—Another recent case: against Harley-Davidson Motor Co., makers of motorcycles, parts, and accessories. H. D., says FTC, has contracts with its 700 retail dealers under which they may not handle any competitive lines of equipment or supplies. FTC cites the following paragraph from H.-D.'s dealer contract:

"The dealer agrees not to sell substitute component parts, accessories, or oil for Harley-Davidson motorcycles, sidecars, servi-cars, package trucks, and chassis."

Last week the company attorney was busy filing a denial of the FTC charges. "What we've been doing," said William H. Davidson, H.-D. president, "is no more than general practice throughout the automotive industry."

Besides these companies, FTC has fired similar charges at:

AC Spark Plug Co., Flint, Mich., for having "an announced policy" of not



Mailing Orders by Television

Mail-order customers sometimes forget. They leave out the size or quantity maybe, in their requests. Sometimes they don't get around to ordering at all.

C-Mail Co., Bloomfield, N. J., has a mail-order form designed to be forgetful-customer-proof. Here you see its red-and-white foldup form, to catch mail-order business by television. In this shopping show, telecast over WATV, Newark, N. J., Don Kirby and Nancy Brown display merchandise, then show on a blowup section of the C-Mail form how a viewer can order it. The customer just fills in the form, folds it up—like V-Mail—and posts it to the TV station or advertiser. Currently, both television stations and advertisers are distributing the blanks to prospective customers.



How to up production...sitting down on the job!

THIS production manager sails through work with amazing speed. He crams dozens of appointments, letters, and important decisions into each busy day.

Production increases...while he literally *sits down on the job!* For his comfortable chair keeps him alert yet relaxed every minute.

Yes, sitting is important in every position. That's why Shaw-Walker has specially *"time-engineered"* correct, restful chairs for all manner of office work—chairs that deliver day-long comfort and lifetime wear!

Only Shaw-Walker could design chairs such as these. For they are born of *fifty* years' active experience in serving the needs and saving the time of American business.

And there are Shaw-Walker desks, files, fireproof cabinets, systems, indexes and supplies—4,000 different items—each *"time-engineered"* for the needs of every job and worker. If you are setting up a new business, or merely wish to modernize worn, outdated offices, be sure to use Shaw-Walker equipment throughout. It will help you make the most of *every minute, every working day!*



Write for FREE BOOKLET

Packed with ideas for stretching office time!

Organize now for *greater sales effort and lower operating cost!* This booklet, "Time and Office Work", gives you a wealth of ideas on *"time-engineered"* office systems and equipment. 36 pages! Many color illustrations! Just off the press! Write today on business letterhead to: Shaw-Walker, Muskegon 6, Michigan.

"Built Like a Skyscraper"

SHAW-WALKER

Largest Exclusive Makers of Office Furniture and Filing Equipment in the World

Executive Offices at Muskegon, Michigan
Branches and Exclusive Dealers in All Principal Cities

New FAST METHOD of DRILLING HOLES

without Expensive Fixtures



PRODUCTION DRILLING
with Units That Can Be Carried on the Job



KELLER AIRFEEDRILLS

Portable Airfeedrills bring new ease and accuracy to multiple drilling. Arranged for quick locking in jig bushings for progressively drilling a series of holes. Ideal where workpiece is too cumbersome to bring to the drilling unit. Drills as many holes as desired, simultaneously. Useful where small workpiece can be handily jig loaded. Unit combines air drill, air cylinder, hydraulic dashpot, feed control, stroke adjustment. Rigid housing can be "hung by the nose" from jig or fixture, in any position. No manual effort. Five sizes. Write for descriptive bulletin.



KELLER
Pneumatic Tools

KELLER TOOL COMPANY, GRAND HAVEN, MICH.

To feel well cared for
stay at the

BILTMORE

That's the sum total of your visit to this famous New York hotel—a sense of well-being delightful to know. Cheerful Biltmore rooms, variety and excellence of facilities, interested service . . . all create an atmosphere warming to the heart. And Biltmore accessibility adds a plus value particularly appreciated in a city of New York's size.

John G. Horsman
Manager

Write for illustrated folder

THE BILTMORE
Madison Ave. at 43rd St.
New York 17
Frank W. Regan, *President*

One of the world's great hotels



selling its plugs, oil-filter cartridges, or oil filters to dealers who buy from competitors—even though AC discontinued an exclusive-dealing provision in its dealer contracts back in 1939;

Champion Spark Plug Co., Toledo, Ohio, for offering "a special low price" to dealers who agree to buy only from Champion;

National Pressure Cooker Co., Eau Claire, Wis., for tying its wholesalers to contracts that forbid them to handle any other pressure cooker;

Gamble-Skogmo, Inc., Minneapolis, Midwest hard-goods chain, for threatening to cut off any "authorized dealer" store that was found buying merchandise from outside sources;

Dictograph Products, Inc., New York, for enforcing exclusive-dealing contracts on hearing aids between its distributors and retailers, as well as between itself and its distributors.

• **Justice Dept. Cases**—The Justice Dept. is also getting in on the act. It has included exclusive-dealing charges in several cases.

In the Yellow Cab Co. case, which is to be argued before the Supreme Court next month (BW—Sep.24'49, p87), Justice charges that Yellow Cab and five other companies used their control of taxicab companies in four cities to compel them to buy cabs from the cab-manufacturing defendant.

J. I. Case Co., Deere & Co., and International Harvester Co., farm-machinery makers, are charged with tying up their dealers with exclusive contracts.

Railway Express Agency, Inc., is charged with entering into exclusive contracts which give the company sole rights to all rail-express business.

• **Judicial History**—Before the Standard of California decision, the scrap over exclusive dealing had seesawed back and forth in the courts for years. Before the Clayton act was passed in 1914, the Supreme Court had held that exclusive dealing was not a violation of the Sherman act. Even since the Clayton act's specific ban on the practice, government prosecutors have "probably lost as many as they've won."

Tie-in clauses have taken the count more often. The Supreme Court lately has ruled out contracts which bind the machinery buyer to use only supplies bought from the machinery maker.

• **Significant Case**—Businessmen are watching the battle between FTC and Harley-Davidson with keen interest. One auto-industry observer points out that this case is the first of its type which cites the vehicles handled, along with the parts and supplies.

"Auto dealerships," he says, "will be turned into automotive general stores if the courts ever back up an FTC complaint that one-make franchises violate the antitrust laws."

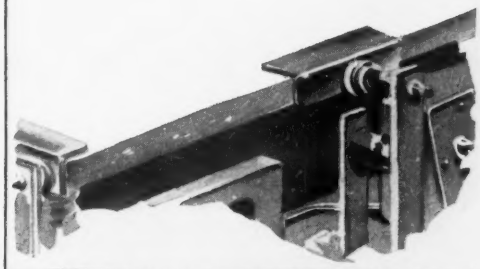
Good Steps to Take...

to make a building a better building...



The On-The-Floor Test

From the standpoint of safety, what makes the best floor surface for a building? There have been a lot of guesses but now they *know*. A pair of "dawgs" pounding the "pavements" of an electronic stepmeter is used to measure the safety efficiency of any walkway surface. It's a sure test to find the best.



The On-The-Wall Test

From the standpoint of results and economy, what is the best paint for a building? Again, there have been a lot of guesses . . . but there's one *sure* way to tell. Test paints *on the wall.*

Yes, compare a gallon of any good paint with a gallon of Barreled Sunlight. Thin each according to directions on the can. Paint them on a wall, side by side, and see the results. Measure the difference in yardage. Check how solidly each covers . . . and the appearance of both after drying. And *by all means,* keep close tabs on the amount of painting time required for each paint, because time means labor which represents 80% of painting costs. It's a simple test to make. But brother, how it proves that Barreled Sunlight gives you a better looking, longer lasting paint job *for less money* than any other paint on the market.

Talk it over with the Barreled Sunlight representative. Write and he'll call.



U. S. GUTTA PERCHA PAINT COMPANY
1-J Dudley Street, Providence, Rhode Island

Barreled Sunlight *Paints*

In whitest white or clean, clear, pleasing colors, there's a Barreled Sunlight Paint for every job

It always costs more not to paint!



I MET NEW ENGLAND
on the short end of an argument

We were at the discussion stage of lunch, and Harry got to talking about New England. The statements he made sounded to me like a pipe dream, and I said so.

"You make the place out to be a regular Utopia," I told him. "The most highly industrialized region in the country — the most densely populated — yet with the greatest variety of scenery and climate and recreation facilities — *and* the greatest variety of industry — with the most ingenious people, who get more patents issued to them per thousand of population than in any comparable area in the country. New England — the greatest — the most -----." I paused, out of breath.

Harry smiled. "Want to bet I'm wrong on any of those facts?" he asked.

"Fifty bucks says you are!"

He shook his head. "No — just a promise to investigate New England before you locate that new branch factory of yours."

Well — it turned out he could prove everything he'd said — and a whole lot more significant facts, too. New England certainly is an enterprising place. Why, even the *hens* up there lay 30 percent more eggs per bird than the national average!

So I'm looking into New England — and not only to pay a bet. A place with all the industrial advantages that New England has is certainly *worth* investigating!



INVESTIGATE NEW ENGLAND
Our new "INDUSTRIAL QUESTIONNAIRE" makes it easy for management to give us specifications for space and plant site requirements. Based on this information we'll gladly recommend locations suited to specific needs. Of course, it's confidential and there's no obligation. Write today to: Industrial Development Department, Room B, New England Electric System, 441 Stuart Street, Boston 16, Mass.

. . . . . .

The largest electric utility system in New England — serving 2,500,000 people living in 250 New England communities.

NEW ENGLAND ELECTRIC SYSTEM
Means Better Living

New England is *THE* place to live and work!

READERS REPORT:

State Incomes

Sirs:

Referring to BUSINESS WEEK *issue of August 27, 1949, I find the following confusing:*

On page 34 I see by your chart referring to income statistics, that North Dakota and Kansas slipped back into income loss. However, on page 38, your explanation of the chart shows income losses in the following states:—California, Colorado, Florida, Idaho, Nevada, North Dakota—or, 4 more states showing a loss than are indicated on your graphic chart.

ARTHUR L. BLAZ
WERNER-GRIFFITH, INC.,
LAS VEGAS, NEV.

• The chart on page 34 refers to total income payments, whereas the table on page 38 refers to per capita payments—that is, total income divided by population for each state. Thus, while total Nevada income was greater in 1948 than in 1947, her population increased faster than her income, resulting in a 1948 decline in per capita income as compared with 1947.

Size and Efficiency

Sirs:

I don't see how you arrive at your conclusions in regard to the efficiency (or lack of it) of large businesses [BW—Sep.10'49,pp50-51]. You say that big business in the tobacco industry is emphatically efficient, that in textiles it is not, and that for most there is an efficient middle size.

Why is the value added per worker a measure of efficiency? Since this value is presumably the cost to consumers, and includes profit to the industry, isn't it possible—even probable—that the lower measure of per worker "value added by manufacture" among large businesses is simply an indication that the larger businesses can generally produce more goods at less cost per worker, and at less cost to consumers than smaller ones. If this is the case it would seem to me to be a measure of high efficiency.

The A & P is generally reputed to operate on a very small profit margin. It is probably in your food classification employing 2,500 and over. Is it inefficient if it does not charge more?

Your implications do not seem to be up to your usual standard of factual reporting. How about it?

ROGER C. EDSON
EDSON & EDSON, INC.,
GREENWICH, CONN.

• Mr. Edson's criticism has a certain validity. BW offered the charts with

the idea that they provided one approach to the subject; we are well aware that they don't provide the final answer.

Value added per production worker is the only set of applicable figures that can be developed from the 1947 Census of Manufactures. It is true that value added is based on selling price (at the plant gate, not cost to the consumer), rather than on the amount that has to be charged. However, this should be regulated by the most efficient producers in the industry. If the largest producers were the most efficient, it would seem that their prices should limit the value added by the "efficient middle size," which did not seem to us to be the case.

Dust and Cyclones

Sirs:

The article on Air-Pollution Control [BW—Sep.10'49,p52] should do much to stimulate thinking among executives whose plants risk the violation of dust code regulations or the stirring of resentment in a community.

In this article reference is made to "cyclonic" collection. There occurs a confusion resulting from the breaking down of a technical subject to language easily understood by the layman. "Cyclonic" usually brings to the layman's mind a picture of a cyclone several feet in diameter. For the elimination of extremely fine dust the vast majority of cyclonic collectors range from between 3 in. and 9 in. in diameter and are referred to as tubulars. Nevertheless, they are cyclones. Since these are the preponderant form of power-plant cyclonic collectors today, it should be noted that they are far from the "least efficient type" and are considered by many engineers in the same efficiency category as the electric precipitators.

Practically any of the several manufactured is capable of removing 99% of 50 micron dust, which is 2/1000 in. in diameter and barely perceptible to the human eye. With the ultra-fine dust between 10 and 15 microns, such a collector removes also a relatively high percentage, resulting in an over-all collection efficiency exceeding 90% in most cases.

The vast majority of cyclonic dust collectors for power plants are of this type.

A. ARNOLD PETERSEN
VICE-PRESIDENT IN CHARGE OF ENGINEERING,
PRAT-DANIEL CORP.,
PORT CHESTER, N. Y.

Figuring Discounts

Sirs:

In article entitled "Discount Battle" [BW—Aug.13'49,p58] you refer to a markup of 33⅓% on a $10 net making



Yes, specifications for the amazing new DoALL Contour-matic cutting machine call for UNISORB-mounting.

And what could be more natural than to anchor this modern machine the modern way? For UNISORB controls up to 85% of all transmitted noise and vibration.

No drilling or old fashioned floor damage is necessary either. Unisorb cement binds the Unisorb Pads to machine feet and floor with a minimum holding strength of 1500 lbs. per square foot.

Not affected by oil or grease, UNISORB lasts for years and years *with no maintenance!*

See the DoALL center spread ad in this magazine.



THE FELTERS COMPANY

210-Q SOUTH STREET, BOSTON 11, MASS.

Offices: New York, Philadelphia, Chicago, Detroit, Cleveland, St. Louis
Sales Representative: San Francisco

Makers of FELTS in all colors, thicknesses, consistencies, qualities . . . for all purposes. Rolls, strips, sheets and precision cut felt parts.

Gentlemen: Please send my free copy of "Why It Pays to Anchor Your Machinery with UNISORB." ( )

NAME ..... TITLE .....
COMPANY NAME .....
STREET .....
CITY ..... STATE .....



IMPROVE YOUR PACKAGES WITH
FLEXPAK*
H & D CORRUGATED Wrapping Paper

If a product is worth wrapping, it deserves FLEXPAK*, a flexible, corrugated "wrapping paper" that hugs the product and cushions it on all sides to protect it from shock, abrasion, puncture, corrosion, dirt and grit. Used just like wrapping paper, FLEXPAK reduces breakage, saves packaging costs, conserves materials, cuts packing time. Your package is smaller, neater, lighter. Ask for a sample.

*REG. U. S. PAT. OFF.

FOR MORE INFORMATION, WRITE
HINDE & DAUCH
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Executive Offices:
4905 Decatur Street, Sandusky, Ohio

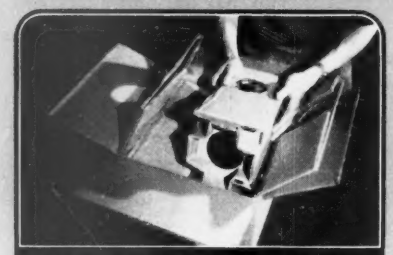
FACTORIES IN:
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Designed for Protection ...AND SALES!



CLEVER MERCHANDISING
...Intelligent Packaging

A novel idea, such as the promotion of this "Father's Box," catches popular fancy with the help of good packaging. This H & D box is an example of good package design and colorful printing. It protects the merchandise in transit and displays it as an attractive gift. Give your product the advantages of planned packaging and watch sales climb!



CONCENTRATED WEIGHT
...Shipped Safely in Corrugated

This electric motor, small as it is, requires more than casual packaging attention. It must have a super-strength box, especially designed to accommodate the uneven contour of the housing. H & D package engineers worked out this low-cost, easy-to-pack, two-piece unit, adding interior packing to give complete protection against all shipping hazards. Let H & D solve your packaging problem!

$15 resale. What you mean is a markup of 50% on a $10 net or a discount of 33⅓% of $15 list.

F. F. DEMAREST
SAN FRANCISCO, CALIF.

• Neither reader Demarest nor BW can claim to be absolute in their method, since both ways of figuring markup are in current use. However, the way used in the BW article is the way that most large retail units figure their markups.

From "Principles of Retailing" by Barker and Anderson, McGraw-Hill Book Co., 1941:

". . . Some merchants figure markup on the cost of merchandise, and others figure it as a percentage of the selling price. Either method is correct. . . . However, because in retail accounting the expenses and net profit figures are expressed in terms of sales, the store should figure markup upon the selling price. Although expressing markup as a percentage of cost is the older method, the generally accepted plan now is to express markup as a percentage of the selling price."

The Controllers Congress of the National Retail Dry Goods Assn. also favors this method. To keep the situation clear, however, they distinguish between "markup" and "cumulative markon percent." In their 1949 report, they define markon as "the ratio of the original markup in dollars to the original retail amount."

Sound Precedents

Sirs:

Your article on ultrasonics [BW—Sep.24'49,p64] discusses a very timely subject in a very interesting and informative manner. However, you appear to give Battelle Memorial Institute credit for a lot more than is probably due them. The ultrasonic method of testing steel for flaws has been commercially available for several years. The Sperry Reflectoscope and Reflectogage, the Branson Audigage, the General Motors Sonigage and others are in daily use in many laboratories and factories throughout the country.

The A.S.M.E. Metropolitan Section devoted the whole of its March 8, 1949, meeting to a review of the work of many individuals and laboratories which had developed uses for audible and inaudible sound waves.

LESLIE S. FLETCHER
SAM TOUR & CO., INC.,
NEW YORK, N. Y.

• BUSINESS WEEK had no intention of inferring that Battelle was pioneering in use of sound. We pointed out that Battelle was continuing studies. There was no intention, of course, to slight previous accomplishments, which we have reported in a number of articles, made with this new tool of industry.

PRODUCTION



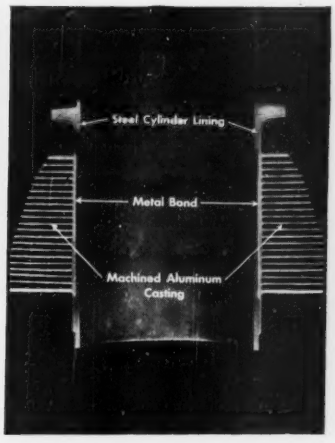
1 This steel liner for an aircraft cylinder has been cleaned and prepared for . . .



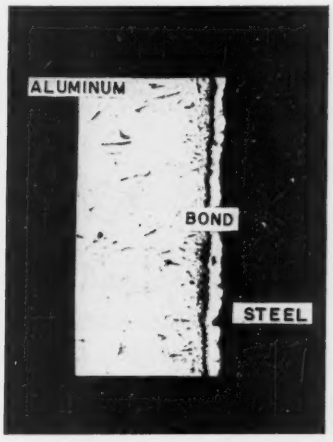
2 Hot aluminum bath: The "tinned" appearance, seen as the part emerges, comes from the coating of aluminum over iron-aluminum alloy. This makes possible . . .



3 Direct casting of the aluminum cooling fins around the liner. The resulting . . .



4 Bimetallic piston, viewed in cross-section, is bonded permanently by the . . .



5 Intermediate alloy. Microphotograph shows grip between steel and aluminum.

Wartime Bimetallic Bonds Catch On

When product design calls for a combination of properties that no one metal will provide, some sort of bimetallic construction is often a way out. But this requires a foolproof joint between dissimilar metals—and here's where the engineer can run into trouble. Plating, for instance, won't work where thick sections of the second metal are wanted, or where bonding must be done in the early stages of manufacture.

Because it avoids such pitfalls, the Al-Fin process, developed by Fairchild Engine & Airplane Corp. early in the war (BW—Apr.5'47,p52), is beginning to find use in other industries. It provides a molecular bond between aluminum and (1) cast iron, (2) stainless steel, or (3) carbon steel.

• **Casting Technique**—The process is a casting—not a joining—technique. It does not rely on a mechanical bonding between two previously machined pieces. (In a shrink fit, for example, a steel gear ring is shrunk on a cast-iron hub.) Al-Fin isn't a plating proposition. It differs from the common technique of "casting-in" a wear-resistant insert.

Last week, Charles E. Stevens, Jr., chief engineer of Fairchild's Al-Fin Division, told the Society of Automotive Engineers about the rapid progress the technique has made since its early use in making finned aircraft cylinders. Stevens pointed out that the process—which Fairchild is now licensing to industry—has moved into the automotive,



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GENERAL CONTROLS



Takes the MANual out of Controls

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For controlling pressure, temperature, level and flow of all kinds of gases, liquids and air for domestic, commercial and industrial applications.







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- SOLENOID VALVES
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- GOVERNOR-TYPE VALVES
- HI-LOW-OFF VALVES
- DIAPHRAGM VALVES
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- REFRIGERATION VALVES
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GENERAL CONTROLS
Manufacturers of Automatic Pressure, Temperature, Level & Flow Controls
FACTORY BRANCHES AND DISTRIBUTORS IN PRINCIPAL CITIES

diesel, electrical, electronic, and household-equipment fields.

• **How It's Done**—Processing is a two-part job. Take the cylinder job pictured, for example.

A cleaned liner of S.A.E. 4140 steel is immersed in a simple bath of molten aluminum; it must have exactly the right temperature. As the part heats up, the ferrous material is attacked by the aluminum (this is why the bath must be very hot) and an aluminum-rich iron alloy forms on the surface. As the part is withdrawn from the bath, it presents a "tinned" appearance, having on top of the alloy a thin coat of pure aluminum.

The part, while still hot, is placed in a mold and an aluminum casting alloy is poured around it. The poured aluminum fuses with the still-molten aluminum on the steel piece. Result: an aluminum casting bonded molecularly to a steel backing, ready for machining into a finned cylinder. The secret of the job is the iron-aluminum alloy formed on the interface. That alloy locks the dissimilar metals together.

• **Characteristics**—Tests have shown that the Al-Fin bond has a tensile strength ranging from 10,000 to 17,000 p.s.i. Shear strengths run from 6,000 to 8,000 p.s.i.

In figuring out a part combining two metals like iron and aluminum, however, certain angles have to be watched. For instance, aluminum expands at about twice the rate of iron or steel. So if the part calls for a large mass of aluminum around an iron core, it can't be used at a very high service temperature: the bond would be ruptured by the forces of expansion. Also, if the aluminum is on an inner diameter, the casting cores have to be designed to take the stresses imposed as the aluminum cools.

Here's how industry is applying the process today:

Bimetallic pistons. The problem in piston design is to get light weight and also wear resistance. Aluminum is light—but wears rapidly. So a cast-iron band (in which the piston rings will be inserted) is bonded by the Al-Fin process to an aluminum core. Mechanical bonds have been used, but Stevens cited this drawback: As the piston gets hot, the aluminum pushes out against the ring; as it cools it contracts. That means eventual loosening. With a molecular bond, properly designed, there is no "interface" motion.

Pistons bonded by Al-Fin for automotive use are on the market now for special installation. The same basic idea is now being tried in diesel engines (by Caterpillar Tractor Co.), and for locomotive diesels (by American Locomotive Co. and the Baldwin Locomotive Works).

Aluminum bearings. In the active development stage, according to Stevens, are heavy-duty bearings of aluminum bonded to steel by the Al-Fin process. Aluminum thickness runs 0.010 to 0.015 in. Tests show that the bearings conduct frictional heat away rapidly, and that the steel backing permits heavy loadings. Studies are now underway so that manufacture of the bearings can be simplified, and costs reduced.

Bimetallic housings. Frequently, gear housings and the like have to be made of castings because lightweight metals won't take the abrasive wear at critical points—like shaft or bearing supports. In new designs now being studied, aluminum for the casting takes care of the weight penalty; a bonded-in steel insert takes the wear. Detroit Arsenal is working on such housings for ordnance equipment.

Bimetallic brake drums. Dissipation of heat in brakes has been a poser for years. Various tricks have been tried: shrink-fitted aluminum fins, large heat-dissipating surfaces, and the like. Bonded aluminum fins are reportedly proving successful. According to Stevens, improved heat dissipation in brakes minimizes the heat checking (minute cracking) that occurs on frictional surfaces. Stevens added, however, that for best efficiency forced ventilation of the aluminum "heat-exchanger" is a big help where brakes handle heavy loads.

• **Other Uses**—In the electronic and electrical fields, bonded aluminum and ferrous metals are under study. Typical examples include transmitting-tube cooling radiators that dissipate 25 kw. of heat, radar subassemblies, tubes for special military equipment, eddy-current clutch components.

Bimetallic bonding is also making its way in the household-equipment field. S. W. Farber, Inc., is bonding a ⅛-in. thickness of aluminum to stainless steel cooking wear. The aluminum provides good and even heat conductivity; it resists staining in use.

Over in England, Fairchild's licensee, Wellworthy Piston Ring, Ltd., has adapted the process to a variety of automotive applications: cylinder heads; cylinder barrels; pistons; bearings; and brakedrums.

UPPER-AIR RECORDER

A nondestructible "flying stenographer" has been developed by United Aircraft Corp's engineers for the Navy's Bureau of Ordnance. Its job: to fly in the nose of a rocket and record such data as air pressure, temperature, and speed continuously on a 6-in. steel tape, 150 ft. long. By using the recorder and playback technique, Navy technicians won't need to depend on elaborate rocket-to-ground radio signaling.

The recorder weighs about 46 lb., oc-



Mr. Whorrably, while very young was probably frightened by a wing collar...

MR. WHORRABLY'S office is very Olde English . . . except for phones, typewriter, cover girl secretary and P. Wilfred himself.

He's late English, and looks like What The Well Dressed Man Will Wear Next Year . . . a worrier, awfully Correct Thing, and wouldn't be caught dead with his tie crooked—goes with the business, I guess.

But he's no dope . . . does very well with Wulspen Woolens, Ltd., importing fancy suitings for two-hundred-clams-per-copy tailors, and a few big manufacturers. Sends out catalogues, swatches, quotations . . . a natural for a postage meter.

I popped in on P. Wilfred of a Monday a.m., and by appointment, of course. Cover Girl was just uncovering the morning mail.

P. Wilfred warmed up to the postage meter . . . Buying postage by having the postal chaps set the meter was novel—but sound, very! Because no stamp with stickum on its back was too bally practical, what? Dampish days they did clot?

Keep a short stock of stamps, and run shy of threes, say—then what? Two and one look messy, while five was too much . . . many a mickle makes a muckle, mustn't forget! With a big stock, stamps get lost—or lifted, eh? But postage in a gear ratio—couldn't get around it! Clever, utterly! . . . I wondered who was selling who!

PRINTING one's postage—charming! Recalls the royal prerogative, King's signet ring and that sort of thing! . . . Print any value stamp with those jolly little levers? Devastatingly ingenious! Print postmark? And a postmark advertisement—splendid! Seals envelope, too? Remarkable!

P. Wilfred babbled on . . . So pleased with the meter's "accounting aptitude." And metered mail moves fast through the postoffice—jolly well should! . . .

If I ever saw a sale in the well known bag, it was PWW . . . Then he just froze up!

"Wonderful machine, old man, but not for us. Wool trade wrapped in tradition, y'know. Meter stamps maybe not dignified" . . . P. Wilfred goes out to see a buyer . . . I don't know whether to smack him or spit!

Well, who comes up fighting, but Cover Girl! "Dignity!" says she. "Let's show him some of the mail we get! A postage meter might help me make a lot more dignified departure nights, too!"

In PW's wastebasket were thirty-one meter-stamped letters! Cover Girl starts thumb-tacking envelopes on the display board . . . When PW gets back, his eyes pop at the show of meter-stamped mail from top drawer tailors, banks and stores all over, Madison Avenue, Fifth Avenue, Rochester; his local bank, New York banks, London banks; English mill agents, two Bond Street shops . . . Has metered mail a class clientele? You tell 'em! Or let PW do it—he burbles! . . . I couldn't marry Cover Girl (ineligible—me) but gave her the best lunch anybody could buy!

DIGNITY—or don't mention it—there's a job in every office that a postage meter does best . . . and a meter model for every office, small or large! If you want to see a list of dignified metered mail users . . . call the nearest Pitney-Bowes office. Or write for, "*So You Have No Mailing Problems?*"



NEW DESK MODEL!...The DM is a postage meter for everybody! ...only a little larger than your phone—but it stamps and seals mail of all kinds and classes!... Write for descriptive folder...today!

PITNEY-BOWES Postage Meter

PITNEY-BOWES, Inc.,
1406 Pacific Street, Stamford, Conn.

Originators of the postage meter . . . largest makers of mailing machines . . . offices in 93 cities in U. S. and Canada.



POLYTHENE-LINED PAPER BAG PROTECTS MOISTURE-SENSITIVE GLUE

Multiwall bag with a polythene-coated ply has improved resistance to atmospheric moisture over a wide range of temperatures . . . plus many other advantages

WHEN The Borden Company needed an economical, damp-proof package for a very hygroscopic powdered resin glue, they chose a sturdy, lightweight, inexpensive multiwall paper bag, one layer of which has a thin coating of Du Pont polythene plastic. These bags keep moisture out during handling and shipping, protect contents until used. Compared with many other types of containers, the empty bags save up to 91% of storage space—save shipping costs, too.

The use of paper coated with Du Pont polythene in multiwall bags provides these advantages:

- **better protection against moisture**
- **better chemical resistance**
- **better strength**
- **better grease resistance**

These characteristics are retained over a wide range of temperatures. The use of a polythene-coated ply also offers greater versatility, since film thickness can be varied to meet specific requirements.

Many other "hard-to-pack" products are being successfully shipped in these bags, including calcium chloride, dry milk, meat trimmings, sodium bisulfite, benzene hexachloride, quicklime, various synthetic resins.

The multiwall bag is only one of many new packaging applications of polythene. The new coating technique used here is a joint development of St. Regis and Du Pont technical men. Du Pont representatives will gladly work with extruders, molders, or converters, or will suggest suppliers who can meet specific needs for packaging or other uses of plastics. Write today for free literature on polythene and other versatile Du Pont plastics.

E. I. du Pont de Nemours & Co. (Inc.), Plastics Department, Main Sales Offices: 350 Fifth Ave., New York 1, New York; 7 S. Dearborn St., Chicago 3, Illinois; 845 E. 60th St., Los Angeles 1, California.

(Multiwall bag made by St. Regis Paper Co., New York, New York.)

DU PONT
Plastics
BETTER THINGS FOR BETTER LIVING
. . . THROUGH CHEMISTRY

cupies a space about 8 x 10 in. It only works about 110 seconds as the rocket veers through upper space. The steel tape won't smash, doesn't burn, can't be ruined by light exposure.

Armour Research Foundation of the Illinois Institute of Technology had the basic magnetic-recorder idea. On the cooperative project, United, Bell Aircraft Corp., and Bendix Aviation Corp. are working under the technical control of the Massachusetts Institute of Technology.

United's research department has in the works a still smaller version, 6 x 7 in. in size, that will record 50 messages on a 3-in. steel tape.

PRODUCTION BRIEFS

A cheaper method of synthesizing cortisone (for arthritis treatments) from soybeans has been discovered by Glidden Co. It eliminates the need for using osmium, an expensive essential in the conventional processes.

•

Rectifiers instead of motor-generators will power three 5,000-h.p. motors, one of 3,500 h.p., to drive the new 86-in.-wide hot-strip mill at Kaiser Steel Corp.'s Fontana (Calif.) plant.

•

Air pollution will concern the American Meteorological Society at its meeting next January in St. Louis. On the agenda are pollution control, equipment, and research.

•

Sharp & Dohme has broken ground for a $4-million research laboratory at West Point, Pa. It's to be finished by the spring of 1951.

•

Quality control will be studied by a new professional group just set up by the Institute of Radio Engineers. Its major interest: components and systems in the fields of radio, TV, communications.

•

Rigidized steel tubing will be made by Standard Tube Co. under an exclusive agreement with Rigidized Metals Corp. The process rolls textured patterns into flat metal, thereby increasing stiffness, strength, and impact value.

•

More rubber is recovered from tire makers' scrap through a new process developed by Dasher Rubber & Chemical Co. It removes cellulose, cotton, and rayon continuously and rapidly.

•

Refrigerated storage centers will be installed by Northwest Airlines at key points along its routes. Each will hold more than three tons of perishable cargo at temperatures as low as −12F.



How to eat fire—and like it

"What the eyes see the mind must believe," chants the side-show barker.

Not many of us know the fire-eater's secret, but it's no secret to many manufacturers that Armco ALUMINIZED Steel eats fire — and likes it. They know that neither the steel base nor the aluminum coating can do this heat-resisting job alone. It's when the two metals are bonded together that they resist temperatures as high as 1250° F. without heat damage.

This special-purpose steel is widely used in many products that require resistance to heat and corrosion as well as a high degree of heat reflectivity. Car mufflers and tail pipes, home heaters, parts for gas and electric ranges, inner casings for floor furnaces and hot water heaters — these are just a few of the consumer products that extra-quality Armco ALUMINIZED Steel makes more useful, efficient and durable. And it also makes these products more readily salable, to meet today's stiffer competition.

ALUMINIZED Steel is another in the long list of special-purpose steels created by Armco Research. Manufacturers who want to give buyers extra value and quality use it in their products and identify this special steel with that familiar buying-guide — the Armco trademark.

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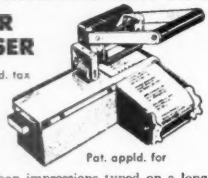
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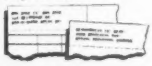
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offered or wanted, personnel, financing, equipment, etc., may be found in Business Week's
clues



INVENTOR W. D. Buckingham looks through dark filter at his Telcoarc, a . . .

Concentrated Brilliance

Western Union's Telcoarc is an improved zirconium-arc lamp that offers a highly concentrated source of very bright light.

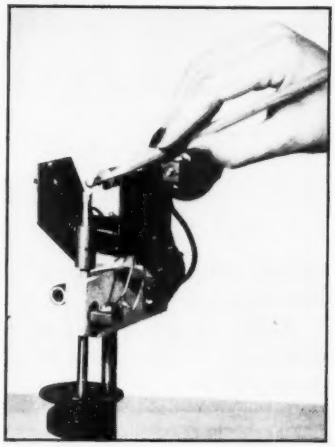
Zirconium burns with a brilliant flame. During the war, this principle was adapted for high-power searchlights. This week Western Union Telegraph Co. engineers disclosed that major improvements in zirconium-arc lamps had produced a new lamp for industry.

• **Portable**—The new lamp was discussed this week by W. D. Buckingham, W. U. researcher, before the Society of Motion Picture Engineers, in Hollywood. It is a portable job, simple to operate. Yet it produces a brilliant light that can be useful in the projection, television, photographic, lithographic, and photocopying industries.

The Telcoarc, as it is called, is not a radically new idea in lighting. But it does represent a considerable improvement over the "Concentrated Arc" lamps produced by Western Union during the war. The wartime lamp operated in an atmosphere of argon and was enclosed in a glass bulb. Telcoarc runs in the open air. The new model, according to the lighting engineers, has much greater efficiency, produces a high output of radiation in the infrared and ultraviolet ranges—because there's no glass to cut off those rays.

• **Properties**—Telcoarc produces a uniformly bright, sharply defined spot of dazzling brightness. For example, a 1,000-watt Telcoarc, operating at 55 volts and 18 amperes alternating current, has a light source 0.2 in. in diameter, with a brightness of 130,000 candles per sq. in. That's 20 times as bright as a similarly rated tungsten lamp. The total light produced is of the order of 20,000 lumens.

One example of its potential use: A 16-mm. projector using one of the 1,000-watt Telcoarcs will produce three



WORKING PARTS of Telcoarc are very small. Zirconium "fuel" is the tiny disk at the tip of each rod.

times as much usable light as it will with a comparable tungsten lamp. Since the new light comes from a tiny source, sharper, clearer pictures are projected. As a result, a 16-mm. projector could be used with much larger screens than are possible with tungsten lamps.

• **Tiny Tube**—The light is produced by burning zirconium in an electric arc. The source is a tiny tube about 1 in. long and ¼ in. in diameter. The tube is made of nickel or molybdenum (it could also be platinum). It contains a pressed pellet of powdered zirconium, nickel, and other materials, with zirconium running about 87%.

When the arc is struck, the zirconium burns. Curiously enough, the product of combustion (zirconium oxide) also burns. That means comparatively long life. At 1,000 watts, the tiny electrode is equivalent to about 12 ft. of conventional carbon rod—on a life basis, that is, not on brightness. An additional advantage is that the products of combustion are not toxic, so special ventilation is not required. There is no fire hazard.

Western Union scientists say that the life of a ¼-in. electrode at 650 watts output is about 24 hours; at 1,000 watts, about 6 hours. The electrode is simple to install or replace.

• **Natural Spectrum**—According to color experts, the light source produces a continuous spectrum resembling sunlight—with all colors, and no exaggeration. They compare the lamp's performance with that of the sun in the early morning. Its rays in the ultraviolet spectrum give off twenty times as much energy as a quartz mercury-vapor lamp working at 2,600 angstroms.

In a searchlight application, the new lamp produced 7-million beam candlepower. (A tungsten filament lamp of the same wattage in the same equipment produced less than 500,000 beam candlepower.)

PACKAGED IRON

A common way to buy metal is in standard shapes. But, except for bar stock, you can't buy castings like that. They are generally made to order. This week, Motors & Metals, Inc., 220 W. 42nd St., N. Y. 18, announced a distribution system that will allow purchasers to buy standard shapes "off the shelf." The available squares, flats, rounds, angles, channels, and tees are cast of Mechanite high-strength metal. This system means savings both in time and in pattern costs for companies that use the shapes on screw-machine or special fixture work.

All shapes are 12 in. long. Sizes range from ¼ to 12 in. for squares and flats; ¼ to 18 in. for rounds and bushings; 1 to 18 in. for angles, channels, and tees.

Two More Examples

OF GARDNER PACKAGING INGENUITY



Center locking panel holds toys firmly, is an integral part of carton—there's no extra partition to insert when packing. Cartons store flat . . . set up quickly . . . load easily.

Point of Sales

Display Boxes that put the "buy" in "buyers' market"

Chances are, you don't make toys. But if you make *anything* that's sold through retail stores, we're pretty sure you're interested in the kind of packaging that moves goods. That's why we're showing you these Gardner-designed "show window" packages for The Sandee Manufacturing Company, Chicago. According to Sandee, these ingenious and attractive cartons played a big part in making these two new toys the "hottest" items in Sandee's entire line. Buyers picked them up at the Spring Toy Fair . . . and shoppers are picking them up in baby shops throughout the country.

MAYBE WE CAN ADD SALES APPEAL TO YOUR PACKAGE

If you have a product that needs an extra point-of-sales push, a product that's hard to package, or a new idea that needs a new packaging idea, get in touch with Gardner. We'll be glad to tackle it. No obligation, of course.

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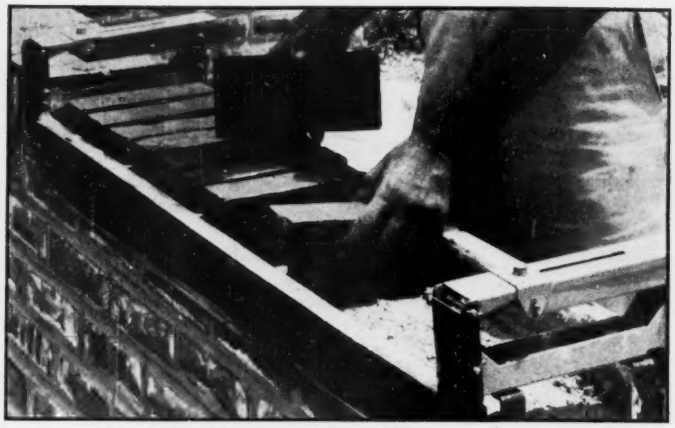
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NEW PRODUCTS



A WORKMAN PLACES BRICKS IN FRAME either length- or width-wise. Inner guides keep bricks in alignment; liquid levels on the frame eliminate plumb lines.



WITH THE FRAME LOCKED in place, operator first lays base layer of cement.



SCOOP OF CEMENT is placed on top of bricks, and frame is unlocked and removed.

Brick-Laying Device Speeds Up Work, Cuts Costs

A portable, inexpensive brick-laying device lays bricks in lots of 8 to 12 simultaneously. According to its developers, the contraption steps up bricklaying 3 to 4 times the normal pace, saves up to 36¢ a sq. ft. in wall construction.

For the first brick course, the operator lays the device on the base foundation and adjusts it to the width of the course. Built-in liquid levels on the sides and ends keep construction and alignment of the wall accurate; there's no need for plumb lines and string wall guides.

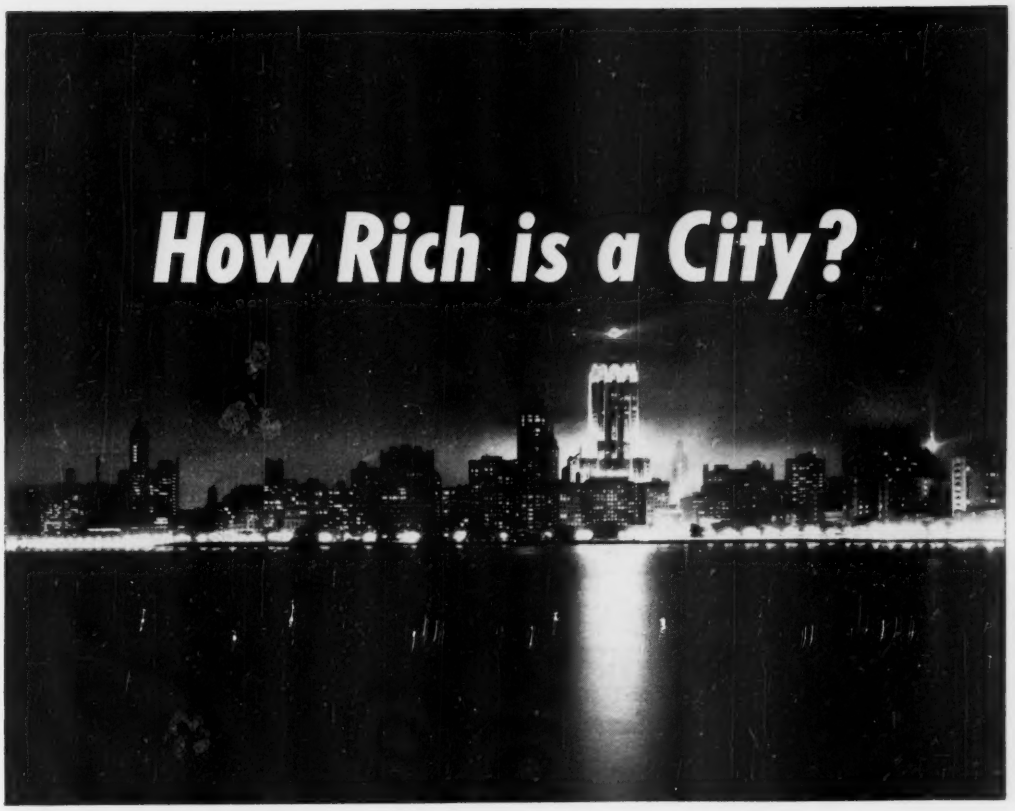
Protruding guides on the inner side of the frame make placement of each brick easy and exact. After bricks and mortar are in place, the device is unclamped from the course by levers and shifted to the adjoining position for another load.

• Source: Hodgson-Sommers, Inc., Montgomery, Ala.
• *Availability*: immediate.

Compressed-Air Collet Chuck

Compressed air provides the power for a new collet chuck which keeps work pieces from slipping on a lathe or similar turning equipment.

Pressure for the chuck comes from an air motor, which develops a thrust 10 times the operating air-line pressure. The unit has enough holding power to keep pieces from slipping or twisting in the collet even during severe drilling or milling operations. At 60 p.s.i. air line pressure, the gripping power of the



IT takes more than dollars to define the real wealth of a city. No one thing constitutes its richness. A city's worth to its residents derives from a combination of cultural and economic resources—plus the imagination and energy of the residents themselves.

Consider Chicago, for instance . . . consider its wealth as one of the world's outstanding educational centers . . . consider its eminence in medical and scientific research . . . its great universities, hospitals and laboratories, libraries and museums. *Consider the tremendous importance of these great educational facilities alone to industry located here.*

Consider Chicago's strategic location at the hub of the nation's transportation. It is a world airport. It is served by vast inland waterways. These are but a few of Chicago's rich endowments.

The Chicago and Northern Illinois area is also the center of a great industrial empire. It is a leader in iron and steel manufacturing. It is one of the world's most important wholesaling and retailing markets. It occupies a unique position at the meeting place of agriculture and the food-processing industry.

And beyond all these assets, the Chicago area is a wonderful place to live.

Far-sighted businesses looking toward a new location or expansion are invited to write us for further information on the advantages of this area for their particular requirements.

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WESTERN UNITED GAS AND ELECTRIC COMPANY • ILLINOIS NORTHERN UTILITIES COMPANY

Believing in the advantages of Chicago and Northern Illinois, these companies have been and are concentrating solely on the advancement of the territory they serve—cooperating with Illinois agencies having similar objectives.



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We believe *every* user of shipping containers will today, more than ever before, find our story of interest—*to his interests!*

Write us for details—write *today.*

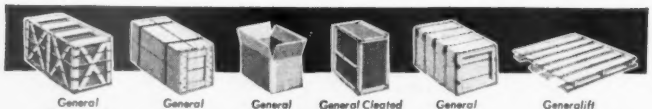
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collet is about equal to a torque of 185 ft. lb.

A safety feature of the unit is a "dead man" control. This means that the chuck will still hold securely if air pressure fails. Air pressure must be applied to the chuck again before a work piece can be released.

The chuck may be mounted in any position. It's easily adapted, for example, to cross-drilling operations. There is ample clearance between the collet and base for the accumulation of chips.

The unit comes with either a manually operated valve or an electrically controlled air-powered valve.

• *Source:* Bellows Co., 222 W. Market St., Akron 9, Ohio.
• *Availability:* immediate.



One-Way Plate

Pie and pastry plates made from Permanente Products Co.'s aluminum foil can cut handling time and costs between producer and consumer. The product doesn't have to be shifted from a tin to a paper plate. It's processed and delivered in the foil container.

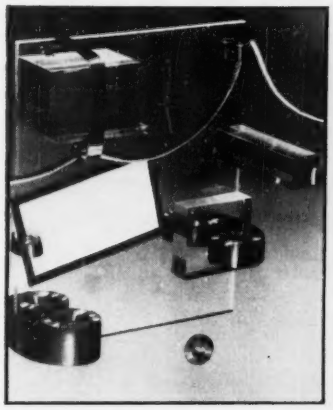
The disposable plates are made in 0.005 and 0.007 gage for bakers, food processors, and meat and vegetable freezers. Sizes are 4½ in., 5 in., 6 in., and 8 in. in diameter.

Containers made from the foil are said to make cooking and cooling faster; the foil won't discolor, nor will it pick up flavors from the food.

• Source: Foil Kraft, Inc., 3053 Rosslyn St., Los Angeles 65.
• *Availability:* immediate.

Negative-Spring Clamp

A unique industrial clamp has been developed from the negator spring (BW—Jul.2'49,p40) by Hunter Spring



Co. The clamp consists of a length of spring which is coiled from each end. Spreading the two coil heads apart presents a clamping area between the heads.

The Neg'ator clamp can be used: (1) as a vise-clamp for gluing or bonding; (2) as a fixture for displays; or (3) as a guide for cable or cord.

The intensity of the clamping force depends on the thickness and width of the spring, plus the amount of prestressing used in making the spring. The distance between the coiled heads, to which the spring can be spread, is limited only by the length of the spring. The tape-like character between the two coils can be used to go around corners or follow other circuitous paths.

The Neg'ator clamp covers a range of clamping pressures from 2 oz. to 20 lb. in 8-oz. increments. In size, they measure from ¼ in. to 2 in. in width. Special pressures and sizes are available, although some development work may be necessary.

- *Source:* Hunter Spring Co., Lansdale, Pa.
- *Availability:* immediate.

P. S.

Horn Tread-Sure produces an anti-skid surface on wood, concrete, or steel deck flooring. One or two coats of the abrasive-filled plastic are applied with any ordinary, short-bristled brush. One gal. covers about 50 sq. ft., requires no special mixing or thinning. The manufacturer, A. C. Horn Co., Inc., is at 10th St. and 44th Ave., Long Island City 1, N. Y.

Rayon-enforced hose is designed to handle kerosene, fuel oil, and aromatic fuels. Its cover of synthetic Neoprene withstands cold temperatures and abrasion; two stranded-copper wires dissipate static electricity. Standard lengths are available in diameters from 1 in. to 1½ in. U. S. Rubber Co., the maker, is at Rockefeller Center, New York 20.



Grooming a "Cat" Motor Grader with OSBORN POWER BRUSHES

THE Caterpillar Tractor Co., Peoria, Illinois, is world famous for its earth-moving and road-building equipment.

And typical of the company's high standards of manufacture, many exterior metal parts of "Caterpillar" Machines are thoroughly cleaned of extraneous, rust-forming matter with Osborn Power Driven Brushes.

Shown in the photos above are two examples of the effective method employed in the removal of weld and heat scale from circle drawbar assembly and steel frames of "Caterpillar" Motor Graders.

In upper left, an Osborn Disc-Center* Wire Cup Brush, mounted on a portable air tool, cuts away heat scale from a "Caterpillar" drawbar and provides a really clean finish for painting.

In upper right, an Osborn Disc-Center* Wire Wheel Brush quickly removes weld scale from a heavy "Cat" Motor Grader frame and leaves the metal surface in perfect condition for subsequent painting.

This is just one of hundreds of "case histories" where longer lasting Osborn Power Driven Brushes are cutting production costs in finishing operations.

If you have an industrial finishing problem, why not let an informed Osborn sales engineer provide you with cost-cutting facts on Osborn Brushes—without obligation.

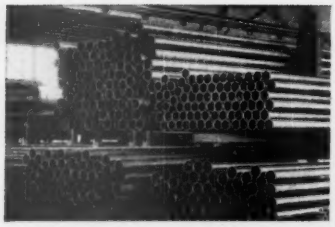
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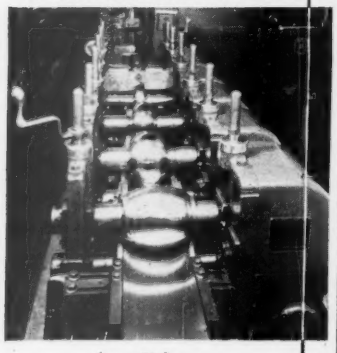
See Osborn's complete line of industrial brushes at the National Metal Exposition, Cleveland, O., October 17-21, Booth No. 817.

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Productionwise, Yoder mills are surpassed only by certain high speed hot process mills. But as the first cost of Yoder mills, as well as labor and maintenance cost, is less than half, their break-even point is correspondingly low, and in many applications they also show the lowest unit cost.

Yoder mills are especially advantageous in cold forming and welding pipe and tubing in sizes from ¼" up to 36" dia. when the wall thickness does not exceed 12% of the diameter. No preheating or heat treatment is required.

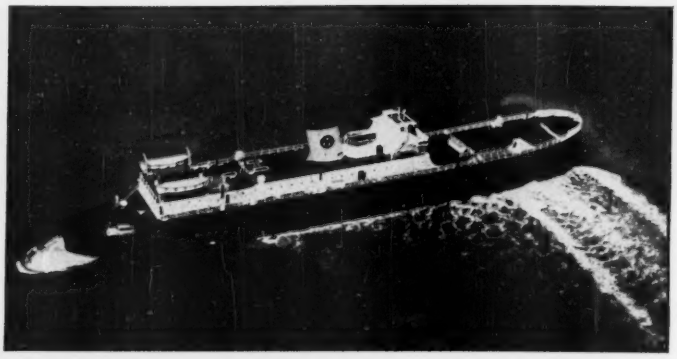
Since the introduction ten years ago of the highly efficient Yoder patented Tube Welder, most of the pipe and tube mills installed in the U. S. A. and foreign countries have been made by Yoder.

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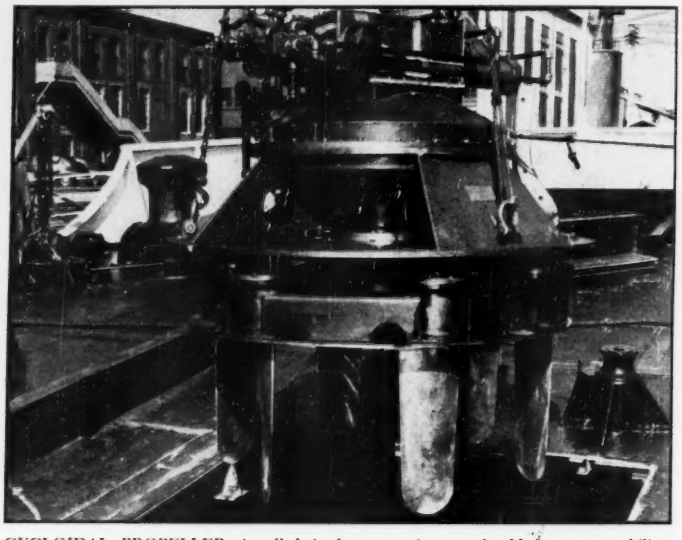
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TRANSPORTATION



CONVERTED LST, now a Chesapeake Bay ferry, is first U. S. commercial ship to use . . .



CYCLOIDAL PROPELLER, installed in bow, to give vessel added maneuverability.

The Amazing Virginia Ferry

The Northampton is a most unusual craft. Once it was an LST, but it became a ferry boat about a year ago, plying across Chesapeake Bay between Little Creek and Cape Charles, Va. Though it makes an odd looking ferry, the ship's performance is even stranger. For the vessel moves backward or forward with equal ease, turns around in its own length, and stops in the span of a rowboat.

• **What Goes?**—How does it manage all this un-nautical maneuvering? The answer lies in the ship's cycloidal propeller, the first one ever installed in a commercial vessel in the U. S.

A cycloidal propeller is probably like no propeller you ever saw. To begin with, it sticks out of the bottom of a ship, rather than out of the stern. It has five spade-like blades that point directly down into the water. These blades are rotated as a unit by the propeller shaft; each blade also oscillates on its own axis.

To make the boat move, the mechanism shifts the angle of the blades so that, through half a revolution, the blades push against the water and exert thrust; through the other half, the blades merely feather the water—like canoeing.

• **Advantages**—The main advantage of the cycloidal propeller is that it gives a

ship maneuverability. The man on the bridge simply flips a lever changing the blade angle to turn his ship around, stop dead, or back up. There's also a theoretical advantage in efficiency. Unlike a screw propeller, the turning speed of the blades on a cycloidal propeller is the same at the tip of the blade as it is at the root. That means the work of moving the ship is distributed equally over the whole blade length. Partly offsetting this added efficiency, though, is the big friction loss caused by complicated gear linkage.

• **Northampton**—In the case of the Northampton, which is owned by Virginia Ferry Corp., the cycloidal propeller has meant fast, safe docking for a ship that otherwise would be tough to handle. The propeller, installed last spring, was built by Pacific Car & Foundry Co. from designs by Professor Frederick Kirsten (inventor of the Kirsten pipe) of the University of Washington. It is mounted in the bow of the ship and acts as an auxiliary to the regular screw propeller.

• **History**—Actually, the principle of the cycloidal propeller is nothing new. Its earliest form goes back to 1880. Kirsten invented a fixed-pitch cycloidal propeller in 1921 and ran many tests on it along the Seattle waterfront. The Voith-Schneider Co. in Austria had adjustable-pitch cycloidal propellers in service as early as 1928. During the next 15 years installations were made on many European vessels including car ferries, small passenger launches, and motor boats. Toward the end of the war, both the U. S. Navy and the Army equipped some specialized vessels with fixed-pitch cycloidal propellers.

CLEVELAND TRANSIT O.K.'D

Cleveland's proposed 13-mi. rapid transit system got a clear-track signal from voters in the October elections. About 54% of those who went to the polls voted for an amendment to the city charter that will revise the transit administration. The changes will make Cleveland eligible for a $22-million loan from the RFC to build the system.

Cleveland's traffic plight has grown steadily worse over the last three years. Despite this, the transit system has been unable to expand—mainly because the City Council has held out against fare increases.

The new system will cost about $16-million, and is slated for completion by Jan. 1, 1953. Much of the right-of-way has already been graded and equipped with bridges by the Nickel Plate R.R. The bulk of the construction work that remains will be on five underpasses and pedestrian subways.

To pay for the new system, fares will probably be set at 18¢, 5¢ above the present fares for surface lines.

Bridges Grow Rapidly

UNDER THE SKILLFUL DIRECTION OF ALLIED

This big bridge in the "Blue Grass" State has exceptionally heavy girders, very long, very deep, fabricated and erected by Allied. They are so heavy, in fact, that highways leading from the rail shipping point to the bridge site were inadequate for hauling the ponderous steel structurals by truck transportation.

Allied met the challenge of transportation and tight production schedules with its usual engineering foresight. The giant girders were transported by barge and erected from the water level with floating equipment.

Thus another great bridge grew "on time" under Allied guidance and know-how. You are invited to send your plans and specifications to us to be estimated.



Allied crews, working from the water level, swing the heavy steel girders into place on Edmonson County, Kentucky, bridge. 1350 Tons fabricated and erected.

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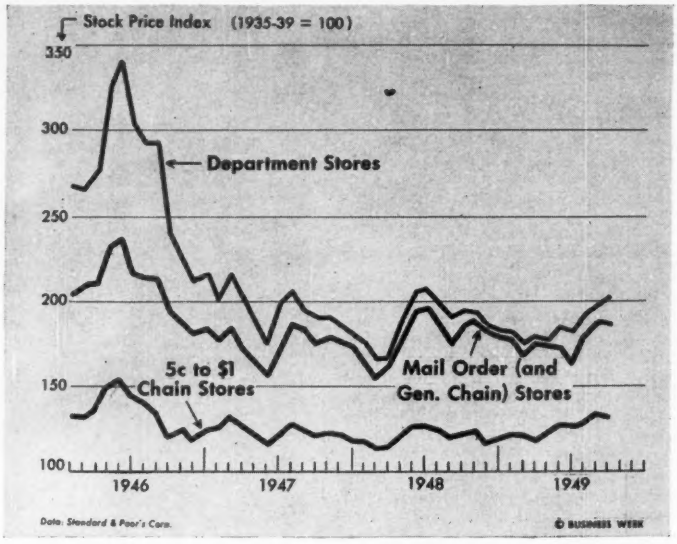
There are far more industrial workers in New York State than in any other. Yet the ratio of time lost through strikes to total time available in this state last year was *half* the national average! For more information, write: N. Y. State Dept. of Commerce, Room 176, 112 State St., Albany 7, New York.

FINANCE

	Sales (in thousands) 1st Half 1949	Sales (in thousands) 1st Half 1948	% Change	Profits (in thousands) 1st Half 1949	Profits (in thousands) 1st Half 1948	% Change
SPECIALTY STORES						
Best & Co.	$17,388	$18,216	−4.6%	$663	$1,156	−42.7%
Hoving Corp.	11,234	10,015	+12.2	73	72	+1.4
DEPARTMENT STORES						
Allied Stores	181,666	190,151	−4.5	3,348	5,232	−36.0
Associated Dry Goods	64,389	66,715	−3.5	1,000	1,560	−35.9
Carson Pirie Scott	28,552	32,450	−12.0	d $15	370	−239.2
Federated Dept. Stores	163,656	151,607	+7.9	4,129	5,090	−18.9
Gimbel Brothers	128,222	147,283	−13.0	1,565	2,335	−33.0
R. H. Macy*	69,785	73,728	−5.4	965	1,791	−46.1
May Dept. Stores	180,075	183,321	−1.8	5,124	6,475	−20.9
MAIL-ORDER HOUSES						
Alden's, Inc.	27,796	37,475	−25.8	123	304	−59.5
Montgomery Ward	488,364	560,987	−13.0	14,480	30,455	−52.5
Sears, Roebuck	901,597	963,104	−6.4	33,107	51,499	−35.7
Spiegel, Inc.	55,465	59,714	−7.1	d 837	1,121	−174.7
VARIETY CHAINS						
W. T. Grant	103,203	102,983	+0.2	2,701	2,961	−8.8
S. S. Kresge	125,225	123,394	+1.5	NA	NA	
F. W. Woolworth	266,597	270,592	−1.5	NA	NA	

*13 weeks to Apr. 30. NA—Not available

Retailers' Profits Take a Beating, but...



Stock Market Thinks the Worst Is Over

If you look at the earnings of the big retail stores and then at the prices of their stocks, you find a paradox. First-half earnings are way down (table). And, if sales so far in the second half are any indication, second-half earnings will also be quite a bit below last year's. But Standard & Poor's indexes of the prices of retail-store shares are now around their highs for the year (chart).

• **Reasons**—Partly, that merely reflects the general vigor of the stock market. But there are at least two other reasons for the good market action of retailers' stocks:

(1) Stores are in a better inventory position today than they were last spring.

(2) The current rate of consumer saving suggests that consumers still are in a good position to spend (BW–Oct.1 '49,p25).

• **Why Profits Dropped**—As a matter of fact, sales volume is not principally to blame for the stores' low profits. The big drop in net is primarily due to two other factors:

THE BUYERS' MARKET means higher cost per dollar of sales—for such items as advertising and promotion, customer service, returns, etc.

THE DROP IN PRICES means that the stores had to take big inventory losses on stocks of a lot of high-cost merchandise. The variation in net income within each of the retailing groups (table, page 94) in part reflects the differences in inventory position when the price break hit.

• **Variation**—This variation among stores in the same field of retailing tends to obscure another fact: The first-half recession also hit the different types of stores with differing impacts. Variety chains were affected the least; mail-order houses were hit the hardest. Specialty stores, by and large, did better than department stores. Here's why:

Department stores. There's no question but that price drops, and the consequent inventory adjustments, have been the major factor here. Beyond this, the department stores' overhead expenses are probably higher in relation to sales than those of companies in the other groups. While they had to cut prices, they were unable to cut wages, rents, and other operating expenses.

Specialty stores. This group, which caters principally to the upper-income groups, always does well in prosperous times. And by and large, times are still good—particularly for the top-income class. In fact, there are more people in this group today than ever before. So the specialty shops' sales, on the average, have held up.

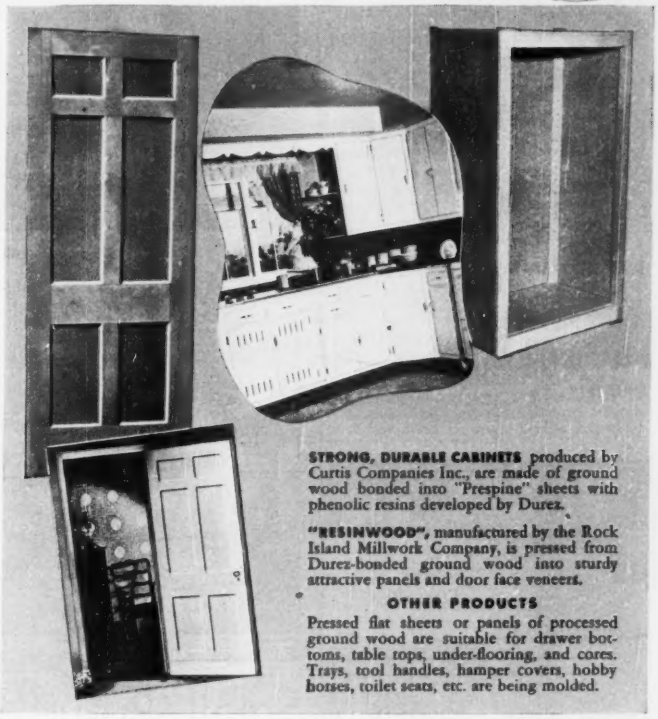
Variety chains. This group sells mostly to people at the other end of the income range. Historically, it always gains less in good times than the department stores, always loses less in bad times. And that, it seems, is just what has happened this time. Many people "traded down" to the lower-priced variety stores.

Mail-order houses. These companies do a larger proportion of their business in big-ticket merchandise (refrigerators, stoves, etc.) than the other groups. And such sales have been harder hit than soft goods. Also, farm income has dropped more this year, proportionately, than other consumer income.

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It is easy to overlook the Citizens Utilities Co. Its $11.1-million of assets stack up pretty small beside those of the billion-dollar utility giants.

• **No Overlooker**—But Richard L. Rosenthal didn't overlook Citizens Utilities. A Wall Street man cut to a non-Horatio Alger pattern, he stumbled on the Citizens Utilities Co. in the early 1940's while he was combing the list for companies that looked promising. The more he looked, the more Citizens appeared to fill the bill.

But it seemed to him that Citizens' management wasn't making the most of what it had. He hankered to get his hands on the reins and see what he could do. By May, 1945, he was one of its directors. A year later, he took over as president, and was set to install the management he wanted

• **Diversity**—What Rosenthal got when he took over Citizens is a firm which can claim an important first in its field. No other utility—large or small—is so diversified as his.

It's a two-way diversification, both geographical and in services offered. When Rosenthal wants to inspect his company's properties, he really has to hit the road. Before he can call it quits and head for homequarters in

Greenwich, Conn., he has traveled from Maine to California, from Alaska to Arizona.

For Citizens' service area covers well over 80 communities—not only in the regions named, but also in Idaho, Colorado, Washington, and Vermont.

• **Services, Too**—And its services are just as diverse. Its facilities are designed to supply some 50,000 customers with one or another of the following lines: electric power, both manufactured and natural gas, water, telephone, and ice and cold storage.

This means that Citizens offers a diversification of risk almost like that of an investment trust. Its biggest revenue producer is its electric power division. But this year this division will supply only 47% of all its revenues, it's estimated. Telephone service will supply 16%; natural gas, 15%; water, 11%; manufactured gas, 10%; and the ice and cold-storage plants, the remaining.

Revenues are as well broken up geographically as they are by services. Thus, the northeastern section of the nation is expected to bring in about 28% of the gross; the Far West 25%; the Mountain states and Southwest 23% each, and Alaska the rest.

• **Grass Roots**—Rosenthal is proud of another aspect of his operation. It is, he says, one of the few genuine "grass roots" companies left in the business.

There's not a large city in all the long list of communities in which he operates. You could almost call many of them frontier areas—regions whose natural and economic resources have yet to be fully utilized.

Rosenthal told his stockholders recently, "Ours is an activity which by its very nature has a satisfying, creative aspect to it," since "we see small communities develop and grow," and also see "the extent to which the services that we provide help and permit" such growth.

• **Wall Street Years**—Rosenthal wasn't brought up in the utility business. When the Citizens Utilities Co. was first formed, he was working his way through New York University. He graduated in 1936 with a degree in finance. His first job as financial analyst with a Wall Street brokerage house brought him just $17.50 a week.

Then he began to show some differences from the Horatio Alger hero. He balked at the routine assignments handed out to him. Three weeks after he landed his first Street job, he had talked himself into a $35-a-week post with a prominent investment counsel. An enthusiastic report on a profitable "sleeper" (a stock no one is paying any attention to) landed him an even better job with a New York Stock Exchange member firm.

• **Prophet With Honor**—Almost immediately he made a name for himself



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with his new employer by warning that the 1937-38 market break was coming. He continued to shine by predicting a boom in the shipbuilding industry, the salutary effects of synthetic rubber on the rubber industry, and the postwar boom in "independent" motor stocks.

But like some other soothsayers, he didn't always benefit from his own gift of prophecy. In 1942, when he got interested in Citizens Utility, he had less than $1,000 to his name. But he had friends with money and confidence in him. And now, as 34-year-old president of the company, he is sitting pretty, Wall Streeters report.

• **Stockholders Gain**—Rosenthal doesn't overlook his stockholders.

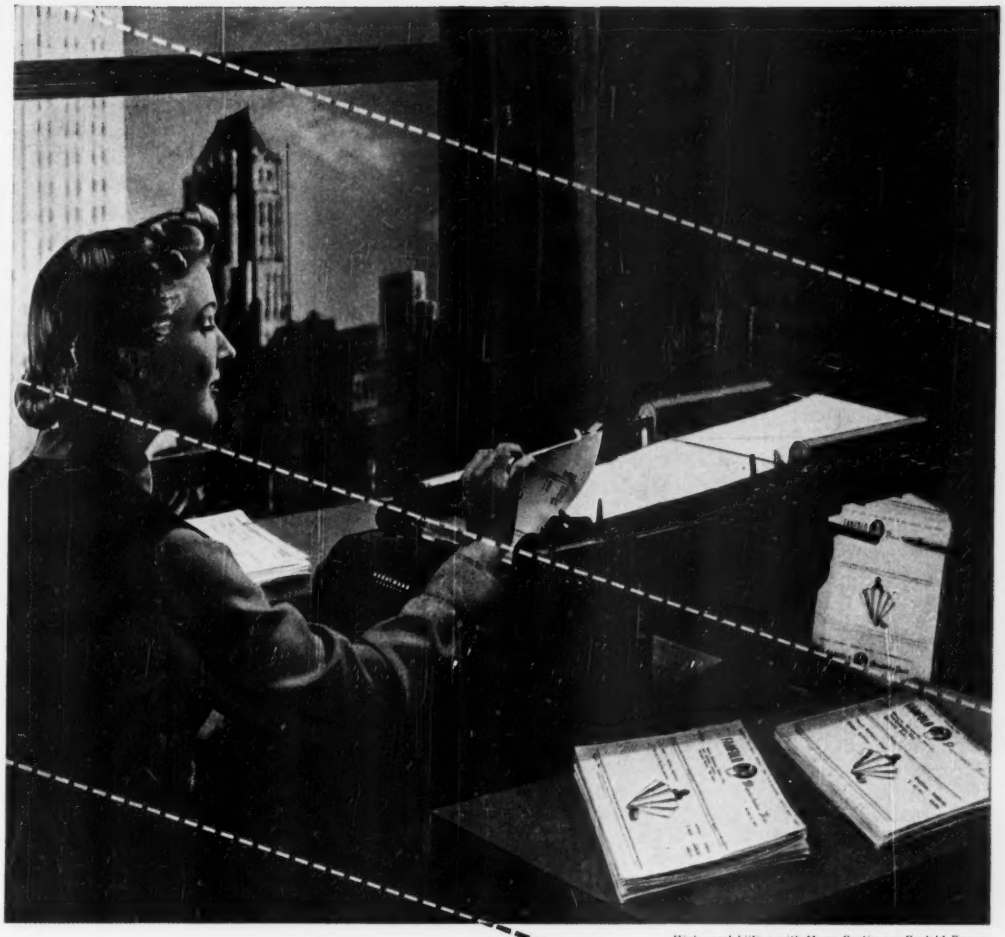
In the 12 months ended June 30, 1949, net earnings of the company added up to over $500,000, or $1.94 on its common stock. Full 1949 earnings may run over $2 a share, latest estimates indicate. In 1945, the year before Rosenthal took command, earnings came to only $179,000, or only 70¢ a share.

• **Prospering**—It's undoubtedly true that part of this rise in net came from a rise in gross revenues. In the latest 12-month period the gross reached $3,724,000—some 54% higher than its 1945 level. But some of the increase grew out of more efficient operation, for recently the company has translated as much as 13% of its gross revenues into net profits. Before Rosenthal's day, it could convert only 7%.

One thing Rosenthal has done is lighten his company's fixed-charge burden. Thanks to well planned refinancing operations, he has trimmed such interest requirements to about 25% below their 1945 level. He has done this in spite of some increase in borrowings to take care of nearly $3-million in property improvements and new-prop-



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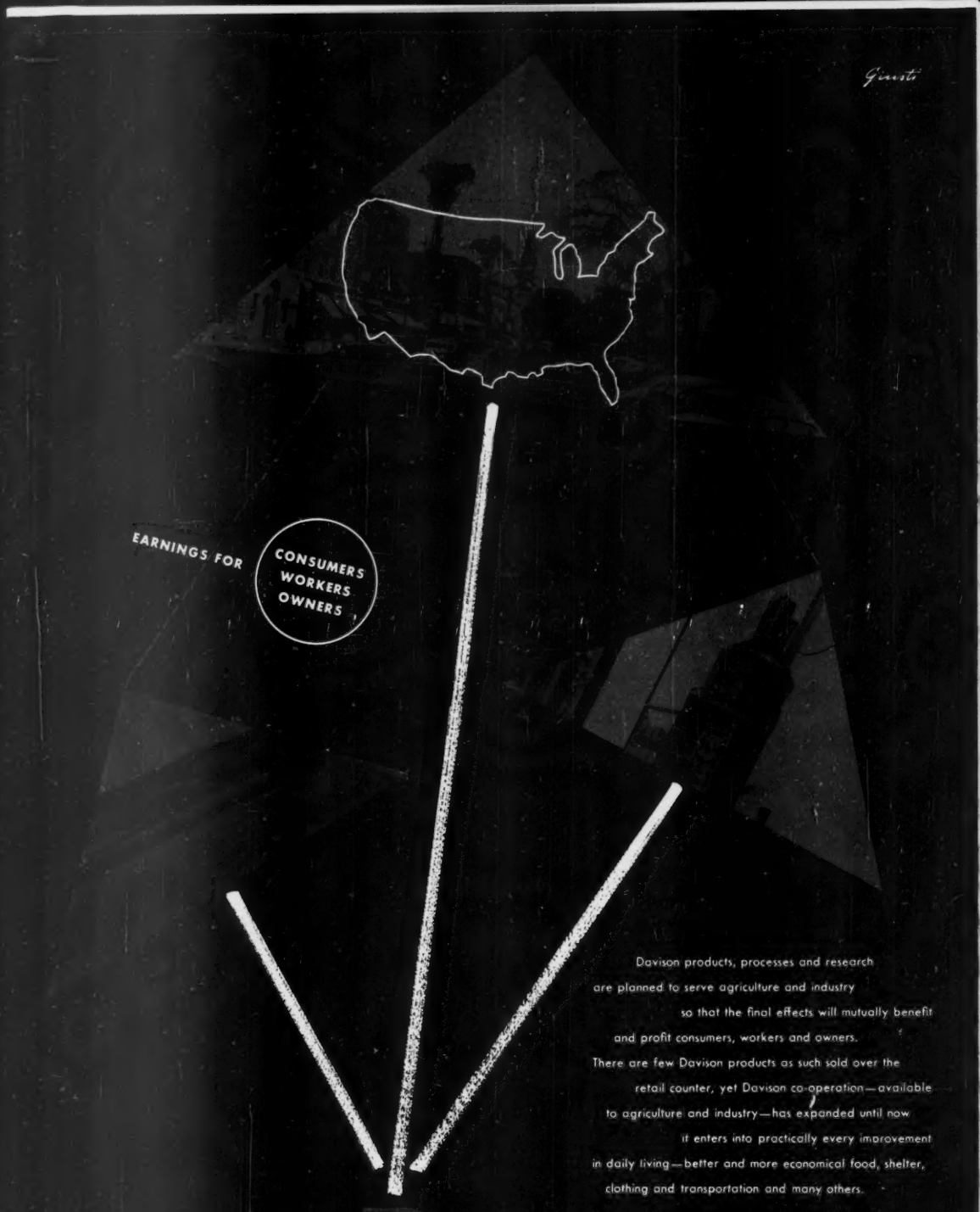
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erty purchases between 1946 and 1948.

Stockholders have shared the company's prosperity. Cash dividends this year will total at least 70¢ a share. For the three preceding years they were 50¢, and in 1945, only 25¢. Stockholders have also been getting small stock dividends (in either preferred or common shares) in recent years.

• **Holding Company**—Citizens Utilities Co. wasn't always an operating company. It had its start in 1927, when the Public Utilities Consolidated Corp. was organized to take over the control of a scattered group of small utility operating companies.

Like so many other holding companies, the Public Utilities Consolidated Corp. ended its career in the reorganization court during the early 1930 depression years. Out of the wreckage emerged Citizens in 1935, which operated as a registered holding company under supervision of the Securities & Exchange Commission.

• **Shedding**—Soon after, the company disposed of a Mexican power property that it controlled. It kept on shedding properties, gradually narrowing its business down to that of an electric and gas operating company and to the operation, via subsidiaries, of telephone, water, ice, and cold-storage properties.

By 1946, Rosenthal was convinced that Citizens was no longer a holding company according to provisions of the Public Utility Holding Co. Act of 1935. The SEC saw things his way. And since April, 1946, the company has been operating on its own. Its rates are subject only to the supervision of the utility regulatory authorities in those states where it operates.

• **Trouble**—Even under Rosenthal, Citizens has had its bumps. Weather has been rough on two of its important electric properties: those in Nogales and Santa Cruz County in Arizona and in the northern section of Vermont. Utility operating costs too have risen to record-breaking heights.

But the bumps are ironing out. A diesel generating plant installed last May will help offset the scarce-water problem in Vermont. Another large diesel generating plant went into operation in Nogales last month. It can handle that area's electrical-energy needs for some time to come. And operating costs have started to come down.

• **Confidence**—So Rosenthal feels more than ever that his company has a future—and can take advantage of it.

He thinks that he and his staff have done their job pretty well, all things considered. It looks as though his 4,000 or so stockholders think so, too. Over-the-counter Citizens Utilities common stock is now selling at around $11. That's the highest it has gone since early 1946, when it reached a temporary price of $14.

FINANCE BRIEFS

Class I railroads earned only $39-million in August, compared with $85-million last year, the Assn. of American Railroads estimates. Net income for the first eight months is around $239-million, as against $423-million in 1948.

•

The Veterans Administration is trying to scotch a rumor that it will pay its $2.8-billion special dividend to G.I.-insurance policyholders (BW—Oct.8 '49,p80) before Christmas. The earliest mailing date is still mid-January, says VA.

•

A dividend boost of 20¢ by the National City Bank of New York put its annual dividend at $1.80 this year.

•

A $25-million bond issue has been sold by Richfield Oil Corp. to New York Life. The bonds are 2.85% sinking-fund debentures which mature in 1974.

•

High bidder for the Home Owners' Loan Corp. portfolio of Massachusetts mortgages (BW—Sep.24'49,p88) was a group headed by the Boston Five Cents Savings Bank. The portfolio consists of about 8,600 mortgages, totalling about $17.8-million.

•

Three eastern railroads estimate they'll lose about $48-million in revenues if the steel and coal strikes continue through October. The Baltimore & Ohio would lose about $15-million, the New York Central $12-million, and the Pennsylvania $21-million.

•

Finance classes for women (BW—Nov.20'48,p102) have been expanded by the First National Bank of Minneapolis. It is giving six free weekly lectures covering life insurance, investments, wills, and estates.

•

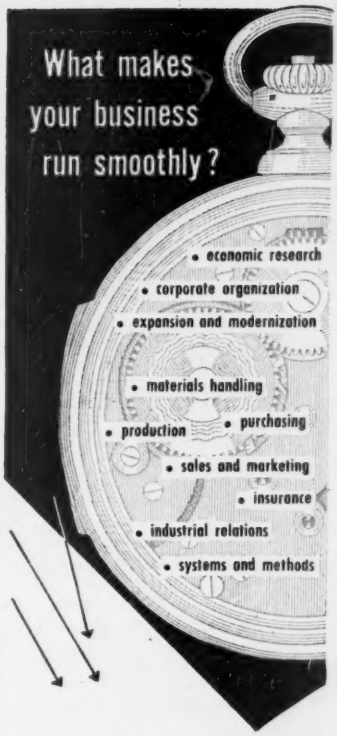
Illinois Bell got only about half the rate increase it was looking for (BW—Oct.8'49,p82). It asked for $34-million a year more income, received rate boosts which will bring $15-million.

•

Workmen's-compensation insurance buyers are being allowed by the New York insurance department to figure their premiums on a new basis, if they have this insurance in other states. They will be permitted to combine their loss experience elsewhere with their New York experience, for rating purposes.

•

Gamble-Skogmo passed the quarterly dividend on its common stock. The retail chain's sales for the first eight months were off 17.5%.



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Airlines Show Profits In Third Quarter

The major U. S. airlines are writing their third-quarter statements in black ink. That looks like a sure thing, even though the statements aren't out yet.

Three things account for the profits-showing: (1) Traffic has revived, thanks partly to a good safety record; (2) planes are more efficient; and (3) mail payments have had a boost.

• **Ten-Million Net**—It's estimated that the four transcontinental lines netted about $10-million altogether. Transcontinental & Western Air, Inc., has the best news. It may have made around $4-million. That puts the line solidly into the black for the first time since the war. T.W.A.'s six-months net was $362,000. That looks good to a line which last year lost $5.7-million during the first nine months.

The other transcontinental carriers also did well. American Airlines, Inc., earned, about $2-million in the third quarter, as against about $1.1-million in the 1948 period. Northwest Airlines, Inc., netted around $500,000 compared with a $104,000 loss in the 1948 period. United Air Lines, Inc., earned about $2-million—a decided improvement over



New NBC President

Joseph H. McConnell is new president of the National Broadcasting Co. He succeeds Niles Trammell, who, at 55, becomes chairman in order to give more time "to client, talent, and station relations." NBC's former chairman, David Sarnoff, remains chairman and chief executive of the Radio Corp. of America, parent company. McConnell, 43, started in 1941 with what is now the RCA Victor division of RCA. In 1945 he became vice-president and general attorney of RCA Victor, and two years later RCA's vice-president for law and finance.

the $734,000 it made in the comparable 1948 quarter.

• **Repeat Performance**—This showing continues the rising profit-trend that showed up during the first half of this year (BW—Jul.16'49,p76). For the nine months ended Sept. 30, the transcontinental lines made around $14-million, compared with losses of more than $14-million in the 1948 period. (However, the carriers made up a lot of the 1948 loss later on through retroactive boosts in mail pay.)

Detroit Bank Solves Teachers' Budgeting

School teachers have always faced a difficult budgeting problem, because their pay is spread over only 40 weeks of the year. Now a Detroit high-school principal and a Detroit bank have figured out a way to solve that problem.

• **Sponsors**—William E. Stirton, principal of Cass Tech, Detroit's biggest high school, thought up the plan. And he got the Industrial National Bank to put it into operation on an experimental basis. Here's how it works:

The Detroit Board of Education makes all the necessary deductions from the teacher's pay and turns the net check over to the bank. Then, on the 1st and 15th of each month in the year, the bank pays the teacher 1/24 of his annual net salary—either as a cashier's check or as a credit to his account.

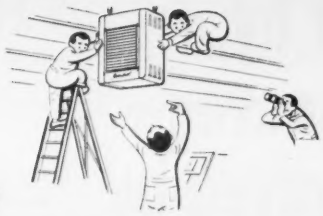
• **Experimental**—Right now, only a small group of Cass Tech teachers are taking part in the program. But once the bugs are worked out of it, it will probably be made available, on a voluntary basis, to all of the city's teachers.

Teachers throughout the city have greeted the idea with enthusiasm. The bank likes it, too—because it creates both good will and new deposits.

INDUSTRIAL PROFITS SLIDE

Profits of all domestic manufacturing corporations came to only about $2-billion after taxes in the second quarter of 1949. That's some $400-million, or 16.3%, below the showing for the first quarter. It is about $800-million, or 29.1%, less than the net reported in April-June, 1948. The Securities & Exchange Commission says that "the decline was somewhat more pronounced for the smaller-sized corporations."

April-June, 1949, profits of corporations under $1-million in size ran about 35% under those in the first three months; they skidded about 60% under those in the second quarter of 1948. Profits of corporations with assets over $5-million were only 15% less than in the 1949 first quarter, only 25% lower than in the second quarter of 1948.



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THE MARKETS

Last Week's 10 Most Active Stocks

	Week's Volume	High	Low	Close	Net Change
Southern Co.	173,200	*11¼	10¼	11⅛	+¾
United Corp.	142,000	*4¾	4⅜	*4¾	+½
Graham Paige Motors	135,400	2⅝	1⅜	2⅝	+1¼
Greyhound Corp.	90,500	10⅛	9¾	10	−⅛
U. S. Steel	83,400	*24⅜	22⅝	24⅛	+1⅛
Radio Corp.	82,600	12⅝	11⅜	12¼	+¾
Consumers Power	80,300	32½	31⅝	32⅜	+¾
Studebaker Corp.	72,100	*24⅝	21½	*24⅝	+2¾
Alleghany Corp.	68,400	*3⅜	2⅞	3¼	+⅜
St. Regis Paper	61,000	8⅛	7	8⅛	+1⅛

** New 1949 high.*

The Market Takes a Chance

There's a question whether the upsurge in rails signals a bull market in stocks. But rising prices and preference for low-priced shares show speculators are coming in.

Wall Street's bulls were bellowing triumphantly this week. The stock ticker, they say, has finally signaled a real bull market. The long rise in share prices that began last June was not just an ordinary summer rally. It was the start of a major move upward.

• **Upsurge in Rails**—The thing that set the bulls going was the big upsurge in the rail stocks this week. The Dow-Jones rail average finally pushed through the old resistance point of 49.60, set on the way down last March. If you like, you can say that this officially confirms the earlier bull signal that the industrials gave when they pushed up to a new 1949 high some time back.

Another hopeful sign is the appearance of some real speculative buying in the market. Last week, seven out of the ten most actively traded stocks were low-priced issues (table, above), always the favorites with the speculators.

• **Priming the Market**—Solid investors curse the speculators when the market breaks, but they always welcome the fast-money boys when things are looking up a little. It takes some race-track money to get a real bull market started.

Last week's list of the ten leaders looks pretty encouraging in this respect. The top stock was Southern Co., a recent utility listing, selling around $11 a share. To give the list some backbone there were U. S. Steel (which made a new 1949 high in spite of the strike), Studebaker, and Consumers Power.

• **Too Soon?**—All this gives the bulls plenty to shout about. But there are Wall Streeters who think the shouting is a little too loud and a little too soon.

For one thing, all the chart readers don't agree that the rails have really confirmed the bull signal of the industrials. The resistance point that the industrials penetrated was the previous 1949 top. The resistance point through which the rails have just struggled was not. It was established during a rally last spring.

• **Big Volume**—The gospel according to Dow doesn't give any clear instructions as to which resistance point is the significant one. But even if you give the market the benefit of the doubt and say that the rails have confirmed, there still is the question of whether or not the Dow Theory holds good in present markets. It certainly led traders into a trap a year and a half ago when the market gave an unquestionable bull signal. And if it is right now, then it betrayed its followers last June when the market gave a clearcut bear signal according to Dow rules.

Shrewd traders say the only thing to

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	154.9	154.0	154.2	156.6
Railroad	39.7	39.4	39.1	48.0
Utility	79.2	79.0	78.1	70.3
Bonds				
Industrial	99.7	99.7	98.4	95.7
Railroad	82.1	81.9	82.0	85.8
Utility	99.0	99.1	98.8	94.6

Data: Standard & Poor's Corp.

do is keep your fingers crossed and wait. But, meanwhile, they point out that this rally looks a lot sounder than some of the upward swings of the past. Its roots are in the thousands of buy orders, big and small, that have been coming in from investors and traders all over the country. This shows up in the volume figures. For some time now, daily turnover has been running well over a million shares.

• **Buying Mood**—What's behind the buying wave? Traders say there are many things—idle funds pressing for investment, gradual decline in fears of a business recession, tempting yields on the basis of current stock prices. Also, the government's return to deficit financing has started investors worrying about a gradual upward trend in prices over a period of years.

These and perhaps other factors have combined to put investors and speculators in a buying mood. And, fortunately for Wall Street, the buying has come in time to offset the worries that naturally arise from the steel and coal strikes.

Corporate Working Capital Hits New High

Net working capital of domestic corporations (excluding banks and insurance companies) is still climbing. On June 30, 1949, it stood at a brand new peak: $66.7-billion.

In the second quarter, the Securities & Exchange Commission reported last week, corporate working capital rose $900-million above the previous high, registered on Mar. 31. Causes of the gain: (1) a $2.6-billion drop in current debts; (2) a drop of but $1.7-billion in current assets.

Short-term debt and accounts payable dropped $1.9-billion in the quarter. One explanation: the gradual decline in business activity. Another: There was less need for bank loans, because postwar expansion plans were nearing completion and commodity prices were falling. Inventories declined $2.7-billion, receivables another $400-million. Cash and government bonds held, as might be expected, moved up sharply. Together they rose $1.7-billion.

At midyear, current assets covered current debt 2.18 times. That compares with a 2.11 current ratio three months earlier. Cash and governments alone covered 69% of the current debt; back in March they covered only 63%.

Here's SEC's report on the working-capital picture over the last decade (in billions of dollars):

CURRENT ASSETS

	Cash	*Government Securities*	*Receivables*	*Inventories*	*Other Current Assets*	*Total*
1939	$10.8	$2.2	$22.1	$18.0	$1.4	$54.5
1940	13.1	2.0	24.0	19.8	1.5	60.3
1941	13.9	4.0	28.0	25.6	1.4	72.9
1942	17.6	10.1	27.3	27.3	1.3	83.6
1943	21.6	16.4	26.9	27.6	1.3	93.8
1944	21.6	20.9	26.5	26.8	1.4	97.2
1945	21.7	21.1	26.3	26.3	2.4	97.8
1946	22.8	15.3	30.7	37.6	1.7	108.1
1947	24.1	13.8	36.4	43.9	1.6	119.9
1948	24.0	13.9	38.7	48.5	1.6	126.7
1949						
Mar. 31	23.4	14.0	37.5	48.5	1.6	125.0
June 30	24.3	14.8	37.1	45.7	1.4	123.3

CURRENT LIABILITIES

	Accounts and Notes Payable	*Taxes Payable*	*Other Current Liabilities*	*Total*
1939	$21.9	$1.2	$6.9	$30.0
1940	23.2	2.5	7.1	32.8
1941	26.4	7.1	7.2	40.7
1942	26.0	12.6	8.7	47.3
1943	26.3	16.6	8.7	51.6
1944	26.8	15.5	9.4	51.7
1945	26.1	10.4	9.7	46.2
1946	31.6	8.5	11.8	51.9
1947	35.6	10.6	13.1	59.3
1948	37.1	11.6	13.1	61.9
1949				
Mar. 31	34.6	11.2	13.4	59.2
June 30	32.7	10.6	13.3	56.6

NET WORKING CAPITAL

1939	$24.5	1946	$56.2
1940	27.5	1947	60.6
1941	32.3	1948	64.8
1942	36.3		
1943	42.1	**1949**	
1944	45.6	Mar. 31	65.8
1945	51.6	June 30	66.7

(Advertisement)

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THEY HAD BEEN FOR YEARS. Every time the candy-maker client of a certain bank thought the price of cocoa beans was attractive, he borrowed enough to stock up.

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Such a program, we said, had to be carried on continuously ... would greatly simplify his inventory problem—and make him an even better credit risk to his bank.

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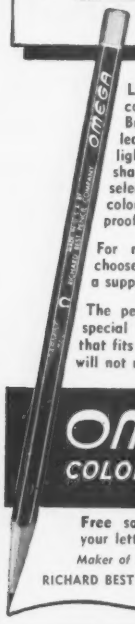
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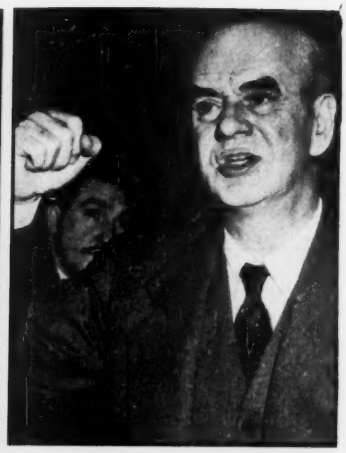
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LEFTISTS Harry Bridges (top), James Matles (bottom), have a showdown date in C.I.O. with . . .

RIGHTWINGERS Philip Murray (top), Walter Reuther (bottom). So there's a big question.

Will C.I.O. Split Apart?

Communist issue near climax. Division might mean a new group headed by Lewis. But party-line federation is more likely.

The last time there was a major split in the ranks of American labor, 10 unions broke away from the A.F.L. and launched the C.I.O. From that schism developed the unionization of mass-production industries, a labor movement 15-million strong, and a vast new political force.

• **Another 1935?**—Another labor split is looming. And in broad outline, at least, the situation bears some resemblance to fateful 1935 when the C.I.O. was born.

Now, as then, the labor front is disturbed and strife-ridden (page 21). Now, as then, millions of wage and salary earners remain to be recruited by zealous, resourceful organizers. Now, as then, a "radical" group of unions is at cross-purposes with the reigning labor hierarchs.

And now—as in 1935—management faces the prospect of trouble: new juris-

dictional feuds, competitive and frenzied organizing, interunion rivalry for greater employer concessions.

• **The Issue**—The first act of the drama will unfold in Cleveland on Oct. 31. That's when C.I.O. starts its 1949 convention. The overwhelming issue at that meeting will be the fact of Communist influence in the C.I.O.

Since it broke away from A.F.L., the C.I.O. has been bothered by a cankerous internal growth: communism in union policy-making jobs. John L. Lewis, first president of C.I.O., let it get started. He permitted Communists to move in on the ground floor of the new industrial union drive.

• **Drastic Cure**—Since 1946, C.I.O. has been seeking some remedy, short of surgery, for its internal problem. Now, the union's top officers seem to feel that there's just one sure cure—cutting pro-Communist unions out of C.I.O. That may mean a third union federation in America.

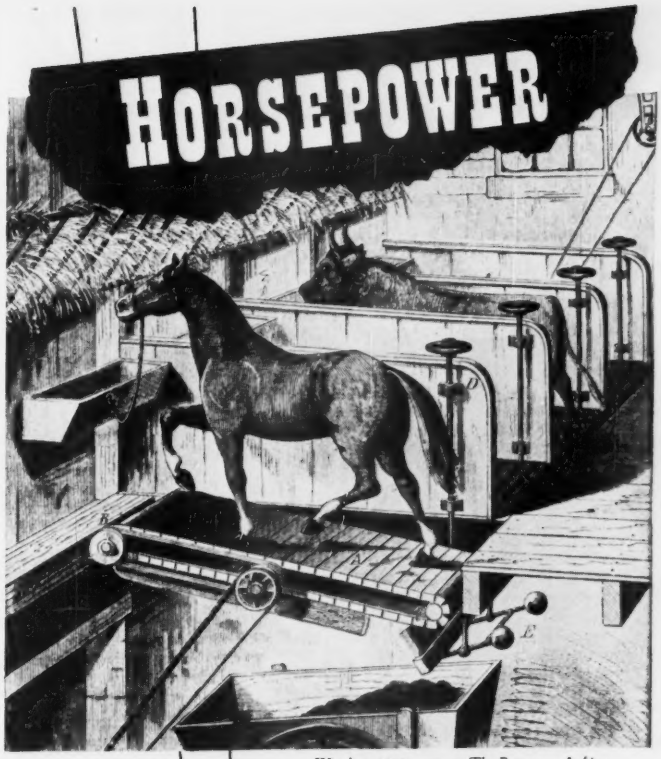
• **Job for Lewis?**—There's talk of a federation headed by John L. Lewis. It would include his United Mine Workers and District 50, along with orphaned C.I.O. left-wing unions and any independents that could be lured in.

Lewis still hates Communists, as such. They get short shrift in his U.M.W. But he has grudging admiration for their industrial-union work. Since he compromised once between his strong political and union views, conceivably he could again.

• **Alternative Setup**—But it's more likely that a split in C.I.O. might result in what the Communists have called a "third trade-union center"—with the United Electrical, Radio & Machine Workers and International Longshoremen's & Warehousemen's unions as the main cogs. Meshed with them would be other left-wing unions from C.I.O.: the small but strong Fur & Leather Workers; the Mine, Mill & Smelter Workers; the Farm Equipment Workers (which may merge with U.E. in the next few weeks); the Office & Professional Workers; the Public Workers; the Food & Tobacco Workers; the American Communications Assn.; the Fishermen & Allied Workers; the Furniture Workers; and the Marine Cooks & Stewards.

Such a group could have about 1-million members—if the leftist unions took the bulk of their memberships out of C.I.O. But that is unlikely. A strong right-wing group in U.E., for instance, already has told C.I.O. it will stick with it, come what may.

• **No Compromise**—C.I.O.'s top leadership—including Philip Murray—says it's willing to take a loss in members rather than compromise with the leftists. Last year, for the first time, Murray quit trying to hold together the right and left wings of his organization. He con-



Woodcut, 1880, courtesy The Bettmann Archive

Inventor Crawford claimed: "By this device a horse can clean his own stable, cut his own feed, run a thrasher, fanning mill, corn sheller, or corn mill, churn, saw or pump, wash buggies, clean windows, or wet down lawns, water stock, and put out fires."

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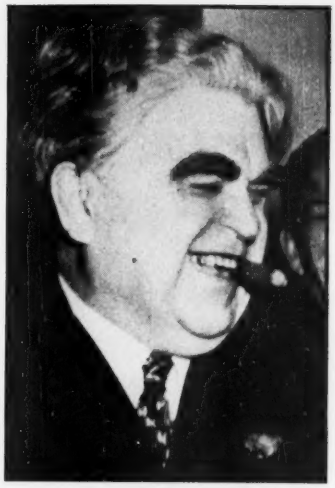
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JOHN L. LEWIS let Communists move into C.I.O. in 1935. Now, leftists may try to get him to head a new federation.

demned "protagonists of the Soviet system of thinking in C.I.O."

But when there were angry cries from the convention floor to "throw the reds out," Murray urged restraint.

Odds are against any such attempt to curb anti-Communist tempers at the convention in Cleveland this year. There's a substantial, hard-bitten bloc led by Walter Reuther, president of the United Auto Workers, that wants a quick, fast ultimatum to party-line unions: Follow C.I.O. policies or forfeit your rights as C.I.O. unions.

• **Counter-Ultimatum**—U.E. and its fellow left-wing unions have been laying a careful ground-work for action if C.I.O. moves against them.

Among other things, U.E. has demanded of Murray: (1) an end to raiding of U.E. and fellow left-wing unions by right-wing C.I.O. affiliates; and (2) a C.I.O. pledge to permit any union to formulate and follow its own policies—on political action, membership in the Communist-controlled World Federation of Trade Unions—and still continue naming vice-presidents and executive board members.

U.E. told C.I.O.: Accept these terms, or we'll withhold per-capita taxes.

Murray said the ultimatum wasn't worth considering. Other C.I.O. leaders called it "a manifesto—obviously made by the Cominform, and not a trade union document."

On the issue of whether part of the C.I.O. will be controlled by Moscow policy, the bulk of the industrial unions are prepared to wage a determined fight. The heat of that battle may set off an explosion that could keep the labor front in turmoil for the next few years.

T-H Fight Still Alive

Bills to repeal or amend law carry over. But Truman leaders probably won't do more than skirmish next year.

Adjournment of Congress this month won't end the present session. When congressmen go back to work in January, the bills to repeal or amend the Taft-Hartley act will be right where they are now.

• **Two Measures**—That means Congress will still have to consider one bill which has passed the Senate, but still hasn't come up in the House. This is the bill that incorporates Sen. Taft's amendments to T-H.

Another bill that carries the House version of changes to T-H is tied up in the House Labor Committee. The committee is split right down the middle.

• **Tub-Thumping**—During the congressional recess, organized labor will do some tub-thumping for T-H repeal—and carefully test the response it gets. Whether there will be another brass-knuckles fight in the 81st Congress over labor legislation depends on whether union politicos count any gains made.

One place they might pick up some strength is a special election in the 4th Congressional District in San Francisco. A.F.L. is backing its state president, Jack Shelley, to fill the House seat left vacant by the death of Rep. Welch. Shelley, who is running on the Democratic ticket, has made T-H repeal a major issue in his campaign.

Should Shelley win, labor will say the victory shows that a new battle for repeal should start immediately when Congress gets back.

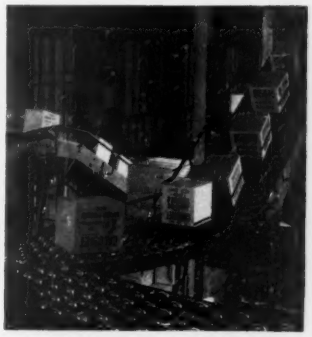
But labor spokesmen concede that one vote won't change the 1949 results. They need 20 additional votes in the House, and three or four in the Senate. So if they can't pick up that many—and right now the best guess is that they can't—then the unions aren't likely to make another serious fight against T-H in 1950. Instead, they will concentrate on politics—to get union-minded men named in 1950 congressional elections.

• **Hard to Sell**—The fact that some of the biggest strikes since 1946 have come along this fall will make it harder to get concessions from T-H backers on any controversial points. Labor disputes usually make Congress feel—and act—tougher toward unions.

Thus, Democratic leaders probably won't press an anti-T-H fight this year. They would prefer to skirmish again in January on side issues. Then they would make the real fight for Taft-Hartley repeal after the 1950 elections.

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How Do Your Office Wages Compare?

Answer may determine whether your shop is potential target for 1950 union drive. BLS broadens survey to include 17 cities.

The way your office salaries shape up now may determine whether you are likely to face a serious union organizing drive in 1950.

Both A.F.L. and C.I.O. have again started after the 6-million white-collar workers in earnest. Union strategists have studied comparative office-wage figures (table, below) to pinpoint places where organizing drives will start.

Good figures on white-collar pay were hard to come by until last year. It was only then that the Bureau of Labor Statistics undertook a survey of the salaries paid in representative industries in key cities. Its study covered men and women office workers in 24 common occupations (BW—Jul.17'48, p98).

BLS broadened and revised its survey this year. It covered 17 key cities, instead of the eight checked in 1948. And it included more women this year than last. But figures still are comparable with those of 1948.

Wage gains in five of the cities that were surveyed last year include: Seattle, $43.48 to $46.03; New York, $41.52 to $44.34; Dallas, $38.23 to $41.21; Atlanta, $37.52 to $40.98; and Boston, $35.49 to $37.71. Three cities—Denver, Buffalo, and Milwaukee—weren't rechecked.

The BUSINESS WEEK table lists only highest and lowest salaries for each occupation in all cities, by industries. You can get more detailed information direct from BLS if you need it.

City Rankings

Average weekly pay of office jobs (held by women mostly) stacks up this way:

(1)	Los Angeles	$48.67
(2)	Washington	48.12
(3)	Seattle	46.03
(4)	Portland, Ore.	45.92
(5)	Chicago	45.91
(6)	Cleveland	45.09
(7)	New York	44.34
(8)	Philadelphia	41.54
(9)	Dallas (women only)	41.21
(10)	Atlanta	40.98
(11)	Richmond, Va.	40.73
(12)	St. Louis	40.23
(13)	Hartford	39.77
(14)	Cincinnati	39.68
(15)	Minneapolis-St. Paul	39.35
(16)	Boston	37.71
(17)	New Orleans	37.69

		All Industries		Manufacturing		Wholesaling		Retailing		Finance, Ins. and Real Estate		Transportation Communication Public Utilities		Services	
		High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Billers (billing machine)	Female	$46.00	$35.50	$46.50	$34.00	$45.00	$35.00	$45.00	$31.00	$42.00	$36.00	$48.00	$38.50	$....	$....
Billers (bookkeeping machine)	F	48.00	34.00	52.00	42.00	....	....	45.00	32.00	....	....	....	....	....	....
Bookkeepers (hand)	M	70.50	53.50	76.50	56.00	78.50	52.50	83.00	56.50	67.50	51.50	71.50	51.50	....	....
	F	62.50	45.00	63.50	44.00	66.50	41.00	58.00	41.00	65.00	40.50	56.50	49.00	70.50	45.00
Bookkeeping Machine (Class A*)	F	54.00	41.00	58.50	44.50	57.00	38.50	....	....	50.00	36.00	....	....	....	....
Bookkeeping Machine (Class B*)	F	44.50	35.00	53.00	36.50	48.50	37.00	47.50	30.50	41.50	31.50	....	....	....	....
Calculating Machine (Comptometer)	F	46.00	35.50	47.50	39.00	52.00	34.00	51.00	32.00	43.50	31.00	48.00	38.50	....	....
Calculating Machine (other)	F	48.00	35.00	50.00	34.50	48.50	37.00	43.50	32.00	41.50	34.00	....	....	....	....
Clerks (accounting)	M	62.50	47.00	60.50	46.50	64.00	44.00	68.00	42.00	57.50	43.00	58.50	52.50	74.50	47.50
	F	49.50	38.00	51.50	40.50	50.00	39.00	43.50	28.50	43.50	33.50	52.50	39.50	63.00	35.50
Clerks, file (Class A*)	F	47.00	33.50	47.00	38.00	48.00	37.00	....	....	45.00	32.00	....	....	58.50	39.00
Clerks, file (Class B*)	F	37.00	29.00	41.50	31.00	41.00	30.00	41.00	25.50	35.00	24.50	40.00	31.50	38.00	27.00
Clerks (general)	M	59.50	47.50	63.00	46.00	60.00	46.50	59.50	50.50	65.00	41.50	65.50	46.50	70.50	51.00
	F	50.00	36.50	52.00	36.00	52.00	37.00	46.00	31.50	51.00	34.00	50.50	39.50	53.00	39.50
Clerks (order)	M	63.00	50.00	63.00	46.50	63.50	47.00	....	....	....	....	....	....	....	....
	F	49.50	31.00	48.00	35.00	52.50	36.00	41.50	27.50	....	....	....	....	....	....
Clerks (payroll)	M	63.00	47.00	59.50	46.50	....	....	....	....	....	....	59.00	55.50	....	....
	F	51.50	37.00	51.00	36.00	53.00	41.50	50.00	36.50	48.50	36.00	54.00	38.50	57.00	41.50
Clerk-typists	F	44.00	31.50	46.00	32.50	46.00	33.50	40.00	28.50	39.50	28.50	47.00	34.50	48.00	31.00
Office boys		39.50	22.50	44.00	30.00	38.50	21.50	34.50	27.00	36.50	24.50	35.00	21.00	40.00	27.50
Office girls		39.00	25.00	41.00	29.50	42.00	28.00	35.00	28.00	33.50	24.00	40.50	34.50	....	....
Stenographers (general)	F	50.00	39.00	49.50	41.00	49.00	38.00	47.50	33.50	46.50	36.00	50.50	39.50	61.50	38.00
Stenographers (technical)	F	55.50	44.50	57.50	43.00	55.00	46.50	....	....	55.00	37.50	....	....	....	....
Switchboard (operators)	F	48.50	35.00	49.50	39.50	49.00	32.00	43.50	31.00	46.00	33.50	48.50	38.00	56.00	34.50
Switchboard-operator-receptionists	F	46.50	33.00	48.50	33.00	48.00	32.50	43.50	33.00	40.50	33.50	49.50	37.00	48.00	36.00
Transcribing machine operators (general)	F	44.50	35.50	48.50	36.00	49.50	36.50	45.00	35.50	43.00	33.00	....	....	....	....
Typists (Class A*)	F	46.00	36.50	47.00	38.50	45.00	42.00	....	....	49.50	35.00	48.50	41.50	55.50	38.50
Typists (Class B*)	F	40.50	31.50	43.00	33.00	42.00	32.50	39.50	31.50	38.50	30.00	43.00	34.00	40.50	28.00

Class A, in each case, involves greater responsibility and more complicated procedures than does Class B.
Data: Bureau of Labor Statistics

Costly Exemptions

Few protests are filed on new wage-hour rules. So higher minimum salaries will go into effect soon.

White-collar payroll costs are going up for a lot of companies in the next month.

Employers will feel the pinch when they start applying some new wage-hour rules to present payroll policies. The provisions cover exemptions from overtime-pay requirements of the Fair Labor Standards Act. They set higher minimum salaries for those who are to be exempt from time-and-a-half premium pay for work that runs beyond the 40-hour week (BW–Sep.17'49, p105).

• **Who and How Much**—The workers affected (and the change in minimums required for exemption) are:

• Executives (those who perform actual managerial functions): from the present $30 to $55 a week.

• Administrative employees (who must do work of "substantial importance"): from $200 a month to a straight $75 a week.

• Professional workers (who must have specialized training, or do creative work): from $200 a month to $75 a week.

The Wage-Hour Administration announced the proposed changes in the Federal Register on Sept. 10. It gave those interested 30 days to submit written comments. This period expired this week. And though there was plenty of interest in the revisions, few from management or labor had anything to say—for the record—about them.

• **Comments**—Here's what the bulk of the comments—what ones there were—boiled down to, on both sides of the argument.

Management objected to changes as "unrealistic," likely to cause "considerable hardship" for many employers—including small wholesalers and small-town banks, stores, and other businesses. Most of the protests that were made came from small communities, many from the South. They generally urged a $200-a-month minimum for salaries of exempt workers in all three classifications.

Labor approved of the proposed changes in the main; there were some suggestions, though, that the minimum salaries should be higher. For instance, A.F.L. urged WHA to set a $100-a-week minimum for exemptions in all classifications.

WHA took due note of the comments. But it had already announced that, barring strong complaints, the new rules would take effect this fall.



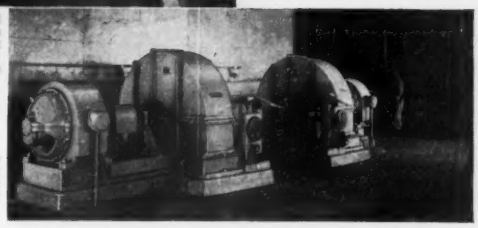


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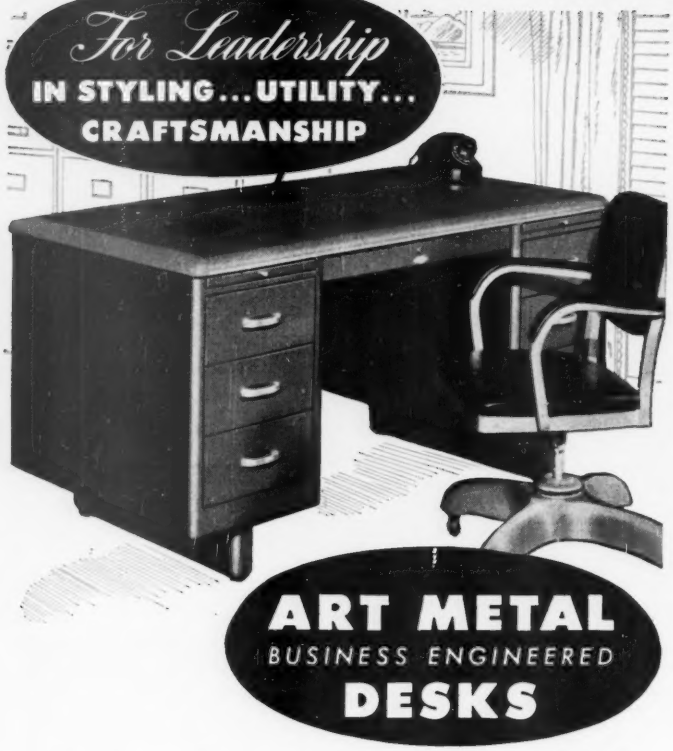
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Local Patchquilt

Local conditions, rather than top-level dictates, often set union policies–as shown by I.A.M.-Teamster relations.

You can't always tell what your plant local will do by watching the way its international union thinks and acts. Not every local automatically jumps into the pattern set by the international. That's because not every union is strongly centralized, run by one man and his leadership bloc–the way the steel, coal, and (to a large extent) auto unions are.

• **Weigh Both**–The relations between two feuding unions–the powerful A.F.L. Teamsters and the independent International Assn. of Machinists–show the kind of patchquilt you can get. They offer a good example of why you should weigh the policies and practices of your plant local.

A.F.L. Teamsters and I.A.M. are now:

Having an all-out fight in Seattle, where their year-long struggle for bargaining rights at the Boeing Airplane Co. will come to a head in three weeks.

Working happily together in Kansas City, Mo., where their locals have asked for joint certification as bargaining agent at the White Motor Co.'s Branch Service Dept.

Local conditions dictate both the Seattle feuding and Kansas City peace.

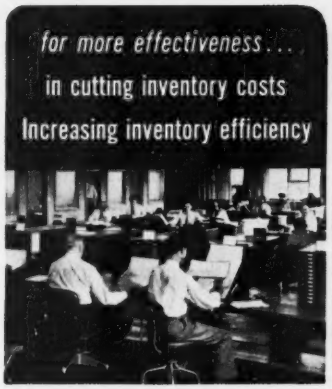
• **Seattle**–I.A.M. had the Seattle Boeing labor contract from 1936 until last year. It struck, then, in a wage dispute. The teamsters moved into action when the walkout was a month old. They began crossing I.A.M. picket lines in a frank bid to take over Boeing's 20,000 production and maintenance workers. That forced I.A.M. to call off its strike.

Subsequently, the National Labor Relations Board ruled that I.A.M. had struck illegally–it hadn't given the advance notice required under the Taft-Hartley act. The penalty: I.A.M. lost its contract status at Boeing.

Since then, I.A.M. and the teamsters have slugged it out for bargaining rights, with increasing bitterness (BW –Sep.17'49,p104). Last week, NLRB said that the final election to decide representation would be held on or before Nov. 7. It put I.A.M. and the teamsters on a ballot for the principal production-worker unit.

It also ordered splinter-group elections–opposed by I.A.M.–for staff nurses, chemists, and maintenance electricians.

• **Kansas City**–In Kansas City, Mo., there's an entirely different background;



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the teamsters and I.A.M. have a friendly local relationship. And they have a mutual rival—the United Automobile Workers (A.F.L.).

The A.F.L. auto workers have the labor contract for the White Motor Co.'s Branch Service Dept. at Kansas City. The teamsters and I.A.M. want to take the contract over. They claim that, together, they represent a majority of employees.

So several weeks ago they made an almost unprecedented request of NLRB—for joint certification as the single bargaining agent for mechanics, electricians, body men, and parts-department employees.

• **Protests**—The company protested the idea of two unions being made the agent for one group of workers. A.F.L.'s Automobile Workers protested, too. But NLRB held last week that there's nothing to stop two unions from acting jointly. It ordered an election held before Nov. 7—with the names of the two unions joined on the ballot, opposed by the auto workers.

If the workers favor the two unions, both will be certified, says NLRB. This means, it advised White Motor Co., that the company can insist that the two unions negotiate jointly, handle grievances through a joint committee, and, all in all, act as a single union.

A.F.L.-C.I.O. Front

A.F.L. and C.I.O. meat unions agree to bargain jointly this year—despite fact that there's no love lost between them.

A.F.L. and C.I.O. are still a long way from unity. But in Chicago this week, A.F.L. and C.I.O. meat-packing unions joined forces—temporarily—to bargain with the major meat packers. This is the biggest joint step the rival giants have taken since they split 14 years ago.

• **Strength in Unity**—The reason for the action is important. Each union knows that, standing alone, it is in a weak bargaining position this year. But together the two represent some 90% of all meat-packing employees, thus are very strong as a team. Seeing tough bargaining ahead, they joined forces.

That sets a possible pattern for unity moves between A.F.L. and C.I.O. While there is the usual convention-time crop of unity rumors this year, they mean little so far. The two don't need each other economically yet—and until they do, there is little real basis for united action.

Meat-packing industry contract talks started in July. The United Packinghouse Workers (C.I.O.) and the Amalgamated Meat Cutters (A.F.L.) began

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by negotiating separately with the Big Four packers—Armour, Cudahy, Swift, and Wilson. The two unions made just about the same opening demands.

• **Terms**—Last week, officers of both unions took a look at their progress, decided there wasn't any. A few informal meetings at A.F.L. and C.I.O. headquarters in Chicago brought a formal agreement on joint action. Under it the two unions:

Will make identical demands on the packers;

Will bargain together, through a joint negotiating committee;

Will strike together, if necessary, to win their objectives.

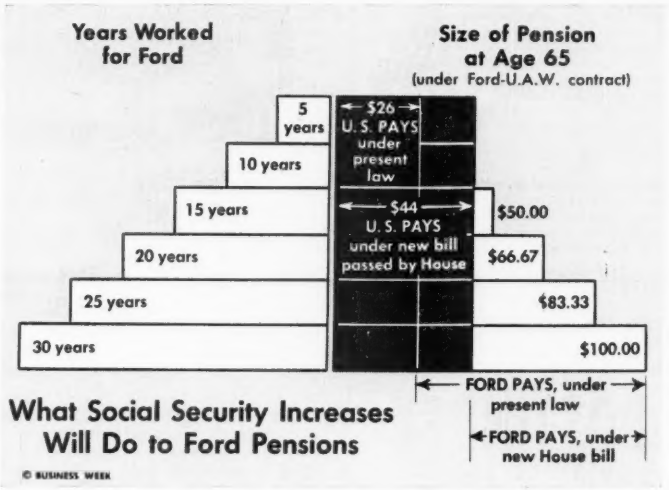
• **Swift Will Bargain**—First employer reaction came from Swift. It criticized union bargaining "pressure," but said the company stands ready "to engage in genuine collective bargaining" with the two unions—separately or together.

The C.I.O. union says it represents 80,000 "Big Four" employees, and 130,000 in the entire industry. The A.F.L. union claims 40,000 in the "Big Four," an additional 90,000 in the industry.

• **No Love Lost**—There's no history of friendship behind the new joint-action agreement. The two unions struck at the same time, to the minute, in January, 1946—but they were acting separately, for a "first-round" pay hike. A.F.L. called off its walkout first, accepting presidential fact-finding; C.I.O. had to quit, too, 48 hours later. Again, in 1948, A.F.L. acceptance of a 9¢ hourly pay boost left C.I.O. out on a limb in a 10-week wage strike. It finally had to settle for the same amount A.F.L. got—and went back to work with its ranks badly shattered.

In the midst of this bad feeling between the unions, A.F.L. tried to take over 11 "Big Four" contracts held by C.I.O. Eventually A.F.L. lost—but the fight cost the C.I.O. union a lot of money, time, and energy.

So, when bargaining bogged down this year, there was a lot of bad blood between the two unions. And despite their willingness to work together, there still is. But it isn't likely to stand in the way of preserving a united front against the industry.



How the new Ford pension plan will be affected by House-approved social-security changes.

Pension Ante Raised by House

Retirement-pay issue, basis of today's major strikes, stirs Congress to action. Bill may take pensions out of bargaining.

Is Congress going to settle the pension issue—the hottest labor-management controversy going?

• **Major Step**—This week, it began to look so. The House passed a sweeping social-security liberalization bill by an overwhelming 333 to 14. Promptly, the A.F.L. hailed it as the biggest law-making step of the 81st Congress. It pledged an all-out effort to get the bill through the Senate fast.

Higher federal pensions wouldn't come soon enough to settle the steel strike (page 21). But they could take pensions out of collective bargaining. The fact that they are now subject to

bargaining—and are the issue at the bottom of our major strikes—prompted the House action, and the lopsided majority.

• **Higher Benefits**—Under the House bill, old-age and survivors insurance benefits would rise an average 70% for the 2.6-million persons now getting them. The boost would be greater (as much as 150%) for low-benefit groups.

After this year, retirement benefits would go still higher. Under a new formula, the average benefit for persons retiring would more than double. The present minimum of $10 a month would jump to $25; the maximum family benefit would rise from the present $85 to $150 a month.

Persons covered by the law who are now totally disabled would receive benefits computed as though the person had reached the retirement age of 65 on the day he was disabled.

• **Higher Taxes**—To pay for the bigger benefits, the social-security tax would be raised. Employer and employee each would contribute 1½% of payroll instead of 1%—on earnings up to $3,600 a year. The rate would go up to 2% on Jan. 1, 1951; to 2½% on Jan. 1, 1960; to 3% on Jan. 1, 1965, and, finally, to 3¼% on Jan. 1, 1970.

Under the present social-security law, the tax rate goes up to 1½% on Jan. 1, 1950, and to 2% on Jan. 1, 1952. Maximum salary base is now $3,000.

• **Compromise**—The increase from a $3,000 to $3,600 base was a compromise. The Truman Administration wanted $4,800. The Senate Finance Committee's advisory council suggested $4,200. The House cut it to $3,600—over some floor objections to any raise at all. If the Senate goes along with the House figure, Truman will ask again next year for a $4,800 base.

Business groups urged higher retirement benefits—but not so high as the bill provides. But if pension plans like Ford's (chart, page 114) become general, employers may press for higher federal benefits.

• **Broader Coverage**—The House bill brings 11-million more workers under the social-security law. Among them are 4.5-million self-employed persons. Farm workers and self-employed professional groups are still off the list.

Others added include:

3.8-million employees of state and local governments, if the states enter into voluntary social-security tax agreements with the Federal Security Agency.

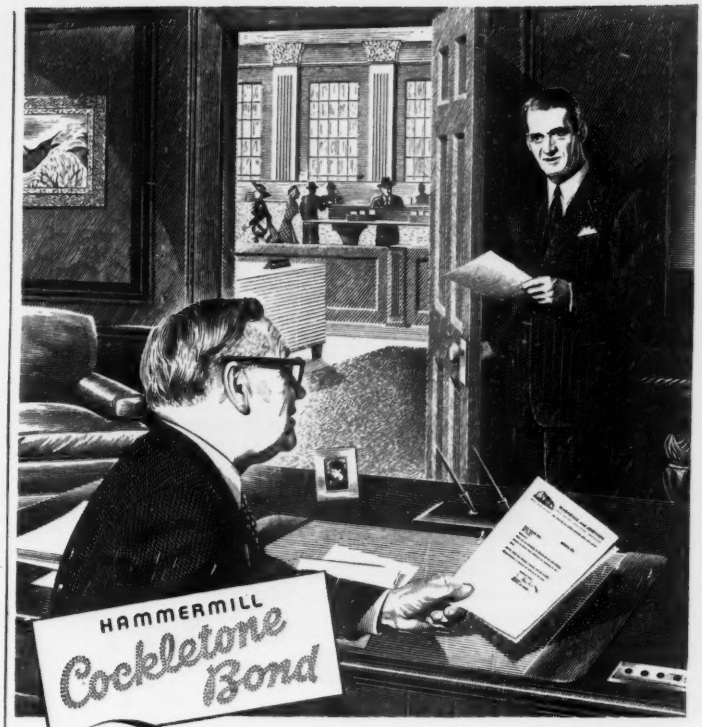
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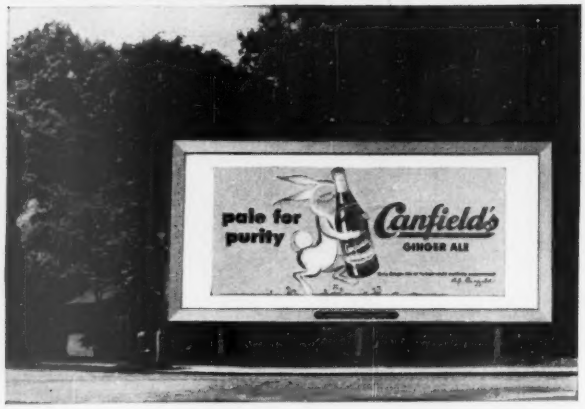
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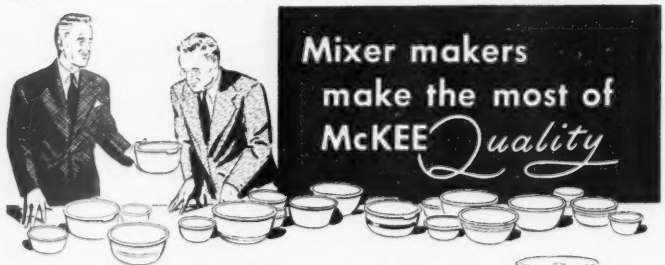
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5,000 employees and self-employed workers in the Virgin Islands.

250,000 employees and self-employed in Puerto Rico, provided the territorial legislature requests the coverage.

LABOR BRIEFS

The Hawaiian dock strike ended last week after 159 days. C.I.O. longshoremen will get a 14¢ raise now, another 7¢ next Mar. 1. They struck for 32¢. Employers had offered 14¢ last June 28. The new contracts will run to June 15, 1951.

•

Dirty windows are in prospect for Pittsburgh buildings. A.F.L. window cleaners struck last week for a 30¢ raise (they turned down 5¢) plus extra pay for more hazardous windows.

•

An aluminum strike is now threatened by C.I.O.'s steelworkers. The union represents Alcoa's 22,000 employees in eight states. It has set an Oct. 17 deadline for a tieup over the same issues that caused the steel strike.

•

A Westinghouse offer to bargain on contributory insurance and pension plans got a cool reception from C.I.O.'s electrical workers. The union wants employer-financed plans, plus an hourly pay hike. The company says it can't boost wages.

•

On the picket line: The Atlantic Steel Co., in Atlanta, erected a scoreboard, gave a play-by-play account of the World Series for employees on a steel-union picket line. In the Pittsburgh area, C.I.O. picketing was suspended during Sunday church hours.

•

A white-collar strike by an independent union of office workers halted deliveries last week at the Westinghouse Electric Supply Co. in Pittsburgh. A.F.L. drivers and warehouse workers wouldn't cross their picket lines. The white-collar group wants higher starting pay, across-the-board salary boosts.

The Pictures—Acme—106 (1); Sid Carson—70; European—121 (rt.), 124; John Hartshorne—19; Wide World—106 (3), 108; Dick Wolters—22, 23, 34, 36, 37, 38.

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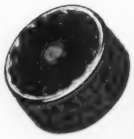
Size and weight—that's only half the story of the amazing Mallory "A" Battery. Though smaller than a checker, it also delivers the long-sought "lifelike" reproduction. Gone are sound surges, foreign noises and aggravating fading. Power is so constant that no longer are "rest" periods needed.

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INTERNATIONAL OUTLOOK

Discount rumors of a U. S.-British deal to (1) jointly recognize Communist China and (2) resume normal relations with Franco Spain.

True, Washington and London have been talking about both matters. But the facts are these:

The U. S. will send an ambassador to Madrid, resume full diplomatic relations. Congressional pressure has forced Secretary of State Acheson's hand on this matter. But London may not follow suit.

Britain will grant de facto recognition to Mao Tse-tung's Peiping government. This is based on economic calculations, probably will come before the end of the year. But Acheson will not recognize the new Chinese government until it shows "more respect" for the U. S.

•

For all practical purposes, China is now a Communist state on the Soviet model.

What is more, Moscow has a firm hold on the new "People's Republic." Ex-Foreign Secretary Molotov saw to that personally during summer talks in Mukden.

How tight Molotov drew the strings may be apparent soon in:

A Sino-Russian treaty of alliance. Under it, Peiping may get up to 1,000 Russian military planes.

Joint announcement of a "Pacific Union for Peace." Other Asian countries will be asked to join.

•

Molotov also did some economic spadework at Mukden. He got an understanding from Chinese Communist leaders on points like these:

Soviet technicians will guide China's five-year plan. Chief aim of the plan: to make China independent of "western imperialism."

Industry and transport will be nationalized without compensation. The only exceptions are where foreign owners will dump in new money.

Russia will give China cotton and oil to make up for losses in trade with the U. S.

Moscow won't make up for the industrial plants it looted from Manchuria. But Russia's next five-year plan will include new equipment for that area.

•

There's a chance the five-day week will be dropped in Britain. The Labor government has sounded out the unions. Their leaders are ready to discuss the idea.

The next step will be this: Government officials, with the help of employers and unions, will look into six major industries having a five-day week. These are coal, cotton textiles, machinery, printing, furniture, shipbuilding (in the shipyards there's Saturday work during four winter months).

The survey is supposed to show if a longer work week would boost production.

•

There could easily be an election in Britain before this plan matures.

Pressure for a fall poll is rising steadily. It's coming from all sides.

The Labor party is counting the votes it will lose as living costs rise. The effect of import cuts is another worry.

British businessmen, meantime, want further financial reforms. As they see it, all the advantages of the cheap pound can soon be lost unless the government acts.

The fact is many businessmen give Chancellor Cripps credit for know-

ing what to do. But he can't get cabinet action while an election is pending.

Even the pro-Labor press talks now of the dangers of a paralyzed government through the winter.

•

If there's a fall election, don't underrate Labor's chances. So far, devaluation hasn't hurt the Socialists as much as expected.

Prime Minister Attlee has pretty solid labor support, a good part of the farm vote.

Attlee is like Truman in this respect. The same kinds of people back him up. Thus, British workers think a Conservative government would be anti-labor. And British farmers relish their generous price supports.

Still, you can be sure of only one thing—whichever party wins will have only a small majority. So the next British government will either (1) make constant concessions to the opposition, or (2) ask for a coalition.

•

Look for another crisis in Berlin before long. Moscow made that inevitable when it set up its "German Democratic Republic" last week.

This police regime will try to draw in the eastern sector of Berlin the minute it can.

And, from the Russian angle, the right occasion seems to be in the offing: Germans in the western sectors of the city want to join up with Bonn.

If that happens, then the old German capital will be really split.

•

Here are some of the reasons why Moscow has turned its German zone into an open dictatorship:

As a political party, German Communists weren't getting anywhere either in West or East Germany. There wasn't any point in keeping up the fiction of self-rule.

Stalin expects the tension to rise in Europe during the next few months. His campaign against Tito assures that.

The East German economy is to be integrated with Polish industry to strengthen the economic power of the satellites. This couldn't be done effectively under the old setup.

•

The 11-nation Annecy tariff agreements cut nearly 350 U. S. tariff rates.

But Washington doesn't expect Annecy to have much effect on U. S. imports. Our total concessions (including the binding of present rates) cover only 3% of what we imported in 1948.

It's the 1950 round of tariff agreements that is expected to have a real impact on U. S. imports.

•

A group of U. S. engineering firms is setting the pace for Point 4.

This week Overseas Consultants, Inc., took on the job of supervising Iran's seven-year, $650-million development program. (OCI also had the job of mapping out the program.)

This is no industrial glamor plan. Starting point in Iran will be health, education, and agriculture. Transport and power come next. As work progresses on these, existing industries like cement and textiles will be expanded. Then other industries will be brought along.

The Teheran government is ready to finance the entire program, largely out of Anglo-Iranian oil royalties. But some loans from the World Bank or private investors seem likely.

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BUSINESS ABROAD



U. S. HEAVY TRACTORS will hold European markets, but . . .



BRITISH LIGHT TRACTORS offer competition. It shows . . .

What Devaluation Will Do To Trade

Some industries will lose foreign markets, but over-all total of exports should hold up. Flood of cheap imports unlikely.

How to measure the consequences of the currency shakeup abroad? That's what American importers and exporters have been trying to figure out for the past four weeks—ever since the Sept. 19 devaluation of the British pound.

U. S. exporters had a flood of canceled orders to contend with right off. Before estimating what this really means for the future, they have been trying to figure where European prices might level off.

And for U. S. importers, of course, the price question has been all-important.

• **About as Expected**—To date, conclusions are still tentative. They will be for some weeks yet. But already it looks as if the short-term results of devaluation will be just about what they were supposed to be:

U. S. IMPORTERS will be doing more business, though not necessarily a lot more. American prices for British and European finished goods will be down anywhere from 5% to 30%. The average is likely to be 10% or a bit more.

U. S. EXPORTERS, on the average, will be hurt some, either by losing orders to foreign competitors or by having to trim profit margins. Some industries—machine tools, for example—fear they may even lose some of their ECA business.

But American exporters will have a big edge on their foreign competitors in delivery, styling, packaging. And most of them are waiting to see how the competition really stacks up before making any drastic price cuts.

A spot check of several important export industries made early this week by BUSINESS WEEK revealed the following:

The auto industry expects devaluation to reduce still further the volume of car and truck exports; it has been shrinking all year. Detroit figures, too, that devaluation may hasten the trend toward more production abroad by companies affiliated with U. S. makers.

But the auto men seem to be taking the situation calmly. They think there may be a long-run advantage in having foreign currencies put on a realistic basis. It means that there is at least some chance of getting the world back to freer trade.

Besides, they figure devaluation should put an end to the black market in foreign exchange. And they have an interesting angle on this. Price competition isn't any stiffer today in markets where unofficially devalued sterling was previously being used to buy American cars. The pound was actually worth only about $2.80 in these markets then. So devaluation merely makes official what was a fact before Sept. 19. In other words, for foreign buyers who used $2.80 pounds before, the price of American cars is still the same.

The farm-equipment industry expects tougher selling abroad. The chief competitors will probably be Britain, Germany, Italy, France. But competition is expected only in tractors of under 80 hp. and in light farm implements. Even in these, foreign manufacturers don't have a complete competitive line.

A good part of this industry's exports to Europe have been financed by ECA. Some of this business may be lost; an individual French buyer, for instance, may want to switch to British tractors, which now cost less in francs.

Textile-machinery makers, for the most part, are expecting trouble from British competition in both European and Latin American markets. They have reached this conclusion by the indirect method—by counting the inquiries they suddenly aren't getting. Several New England companies look for a permanently bad situation unless British wages—and therefore prices—go up.

Other U. S. makers, however, think they can hold their own—because of higher quality and because of faster delivery. If the British get new orders now,

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they say, this could make them fall even further behind in delivery than they already are, thus tipping the scales back in favor of the U. S.

Machine-tool builders seem more worried than anybody else about the devaluation aftermath. It's the European market that troubles them most. Business in Europe, largely ECA-financed, picked up in the first six months of 1949. But the cancellations that have been coming in make the second half of the year look bad. There is a sure market only for the special-purpose machines that are not made at all in Europe.

Actually, the machine-tool industry has a double complaint. First, ECA helped European machine-tool builders to get back on their feet. Next, it refused to permit purchase in the U. S. of any machines that could be bought in Europe. Now, devaluation has made a Swedish machine tool, for example, a lot cheaper for the individual European buyer than its U. S. counterpart.

• **Official View**—Washington's answer to the machine-tool builders is this: Despite the order cancellations, devaluation won't actually affect your total exports a bit. Take the case of France. Before devaluation there were tentative orders on the books for $90-million worth of machine tools. But the French government had allotted only $14-million in dollar exchange to take care of that demand. That $14-million will still be spent.

According to Washington officials, contract cancellations have applied in most cases—and not just in machine tools—to tentative orders. These orders were dependent upon the allocation of dollars by the importing country, and many would have been canceled sooner or later anyhow.

In fact, it is Washington's view—and it is a view that is shared in New York banking quarters—that over-all U. S. exports are not going to be much affected by the fact that American prices are now higher in countries that have devalued. It's still the dollar shortage, not the 18% or 43% hike in our prices, that limits U. S. sales abroad.

• **Sufferers**—Of course, the over-all total of exports isn't much comfort to industries that actually do lose orders. One major builder of bridges, for instance, fears it may lose all its foreign business as a result of devaluation.

Or there's the case of Timken Roller Bearing Co., which has just laid off 334 employees because of a general decline in orders. According to Timken's president, William E. Umstattd, auto manufacturers and machine-tool builders have cut their orders for bearings—at least in part because of devaluation.

• **Effect on Imports**—Any conclusions as to the eventual effect on imports are still tentative, too—except when it comes to fears of a flood of low-cost foreign goods. Foreign-trade experts, in and out of Washington, are as certain today as they were Sept. 19 that there is no chance of that.

What they can't tell yet is how much easier it will be for Europeans to sell their goods in hard-currency markets, the U. S. included.

• **Shot in the Arm**—What's likely to happen, though, is this. Goods that have not sold well in the U. S., and which are being produced in sufficient volume to satisfy an expanding market, will be offered at lower prices.

Already, some goods have dropped anywhere from 15% to 33%. Examples of big drops: broadcloth (of Egyptian cotton); worsted suitings; linens; cod-liver oil. Others have dropped, too, but not so much. They include English dinnerware, platinum, anchovies, cashew nuts, cony and rabbit fur.

Imported rayon staple fiber (delivered at U. S. mills) has dropped 3¢ to 33¢ a lb. This puts it in a good competitive position with domestic fiber, which sells at 35¢.

• **Some Unchanged**—Prices for many items—Scotch whiskey, diamonds, wood pulp—will be held at the predevaluation figure. Foreign countries are selling all they can of these anyway—or else all they want to.

In general, prices of consumer goods from abroad will fall anywhere from 5% to 30%. The first sure indication of what prices will do in this field may not come until orders for the Easter season are put on the books around the first of the year.

Prices of raw materials have followed the expected pattern. The dollar price has stayed about the same, or dropped slightly. Raw materials are expected finally to seek their own level on world markets.

• **New U. S. Markets**—Of course, there may be new types of foreign goods appearing in the American market. For example, devaluation could make British jet transport planes, once they are proven airworthy, a good buy in the U. S. They look now as if they would be both cheaper and faster than orthodox U. S. airliners of comparable size.

A British maker of fuel-injection pumps sees a sure market here. At least one British group of diesel-engine builders (operating through British Oil Engines Export, Ltd.) is making a careful survey of possibilities here. This group figures it can sell its light diesels in the U. S. in fair volume. What's more, it expects to sell some heavy diesels to U. S. engineering firms that have contracts abroad, for example, to build pumping stations. The British say they can offer at least a 10% price advantage in third markets, even after some increase in labor costs.

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Next Clues section will appear in Oct. 22, 1949 issue.



FRENCH WORKMEN view skeptically the government's free-trade policies.

France's Problem: Labor Unrest

That was what overturned the Queuille cabinet. Devaluation built a fire under workers' demands, offered government choice between inflation and labor trouble.

The chain reaction of devaluation, spreading from Britain to France, exploded under the Queuille government last week. The Socialists flatly refused any longer to postpone wage concessions for the French worker. And that gave the final shove to the crumbling Queuille cabinet.

Whether the Radicals or Popular Republicans take on the job of raising a new government, neither can do it without the help of the Socialists. It could, of course, be done with the support of the de Gaullists. But de Gaulle simply won't come into a government that refuses to dissolve the National Assembly and to hold a new election. That isn't in the cards for the near future, so the support of the Socialists is the only alternative.

• **Socialist Price**—The Socialists tend to favor the idea of giving aid to a new government without participating. That would strengthen their position with the French workers and at the same time preserve the Third Force, the middle-of-the-road coalition to head off both the Communists and the de Gaullists. In either case, whether they play an active or passive role, the Socialists will exact a price for their aid—namely, increased purchasing power for the lowest-paid French workers.

Right now they favor an emergency bonus to tide these workers over until the return of collective bargaining at the year's end. This would be supplemented by a multibillion-franc food subsidy, to be financed out of increased profits taxes. But French workers are restive and there is little chance that they would accept such a compromise without making serious trouble. That could mean further inflation, either through the loss of production in strikes or through wage increases.

And a new inflation in France, in turn, could mean a setback for the whole western world. For it would postpone indefinitely the stabilization of the franc and the convertibility of European currencies—which are necessary for the freeing of intra-European trade.

• **Labor's Complaints**—Labor has three complaints: (1) low wages, (2) excessive profits, and (3) fear of layoffs.

Of the three, wages most excite the workers, particularly since the devaluation of the franc. They claim that while the index of retail prices has risen to more than 17 times the 1938 level, the index of average earnings has increased only about 13 times. A good guess (there are few reliable surveys) puts the French worker's real wage at about ⅔ of his prewar wage.

Take away the "family allowance" and the figure would be much worse. Today, this accounts for more than a third of the worker's net earnings.

• **Pro and Con**—Employers point to this, say that "social charges" have risen

beyond the capacity of industry to pay. They gripe about the drain on public funds. The family allowance, they insist, has a double effect of: (1) creating excessive tax burdens, and (2) reducing the incentive value of wage payments.

Labor leaders counter with barbs at the level of profits in French industry. The socialist daily Combat, for instance, says present profits haven't been equaled since the reign of Napoleon III a century ago. Industrialists retort that a lot of these profits are purely bookkeeping figures, reflecting the inflationary advance of prices and the insufficiency of depreciation reserves to replace equipment at today's prices.

• **Low Output**—The industrialists also worry about low output, a pressing problem in France, where production per man has barely reached prewar levels. In Sweden, Britain, and other industrial countries of western Europe, meanwhile, it has passed prewar levels by a good piece; even in western Germany, output—though still far from the prewar level—is rising rapidly.

There is good evidence, however, that management itself is largely to blame for this condition. It has shown little interest in greater efficiency. Technical equipment and industrial organization are notoriously backward, and the spirit of enterprise is often conspicuously absent. This, of course, touches on one of the tender spots of the French economy—the combinations of all kinds, open and secret, that exert so tremendous an influence on French business. As U.S. observers have frequently pointed out, French business has a strong tendency to turn to monopoly, government protection, and low wages in its effort to bypass the problem of inefficiency.

• **Fears**—That helps explain why, after a prolonged period of full employment, the first hints of fewer jobs have produced such a wave of fear among the working class. News of layoffs in the metal industries spreads like wildfire. The same thing happened when some 25,000 workers were laid off in aircraft, even though this was purely a government effort to reorganize a politically controlled industry. On top of this comes the fear that the automobile industry is heading for a decline in markets that only a short while ago seemed inexhaustible.

This increases the French laborer's fear that higher productivity is more likely to bring cuts in production and jobs, rather than in prices.

• **High Prices**—The government hasn't been able to do much about bringing prices down. Recently, for instance, it tried to do so in the case of some textiles by resorting to large-scale imports. This worked here and there—a little. But it was far more effective in bringing the textile industry—both management

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and labor—down on the government with cries of fear about layoffs and shorter hours. There was little talk, however, of widespread price cuts.

This sort of thing makes the French worker all the more doubtful that the free-trade policies of the government are going to come to any good. Devaluation, and the difficulties it has created for French foreign trade, only serve to increase his fears. And they have added increased vigor to Communist propaganda.

• **Wage Issue**—The Communists are asking for all-around wage increases in the form of lump-sum payments or cost-of-living bonuses. Thanks to the peculiar French system, the wage issue is the central problem of French politics. For the present laws exclude wages from collective bargaining, put them in the hands of the government. Moreover, all collective agreements (the non-wage arrangements of unions and employers) require government approval in order to be legally valid. This means that the workers hold the government responsible for the fact that wages have stayed stable while prices have risen.

The Communists find this system of government control over wages politically profitable. So the Communist-dominated unions of the Confederation Generale du Travail (C.G.T.) take little exception to it—though they freely criticize its results. The non-Communist unions, on the other hand, demand a return to free collective bargaining. The Queuille government had planned to restore collective bargaining by 1950.

• **No Tradition**—But such a "return" must be taken with a large grain of salt, for rarely have French labor relations been settled by collective agreements. Only twice has collective bargaining had any real significance in France: (1) just after World War I, and (2) in the thirties, under the Popular Front.

Thus, the French have had little experience in making collective bargaining work.

Many employers have not reconciled themselves to the need of dealing with labor unions. Add to this the fact that many unions are Communist-dominated, and you can see the strong possibility that free collective bargaining would lead to serious social unrest, strikes, and lockouts. Understandably, the middle-of-the-road government has been reluctant to embark on such a course.

• **"United Front"**—To do nothing at all about labor's wage demands is, however, just as risky. The Communist unions have started a "united front" campaign asking the non-Communist labor organizations—the semi-Socialist Force Ouvriere and the Catholic unions—to join with them in the struggle for higher wages. The Catholic unions

have shown very little resistance to the proposal. Thus, the congress of the Catholic metal workers' union has formally accepted the Communists' request for a joint committee to make plans for and to direct a combined wage movement.

The Force Ouvriere—which broke away two years ago from the Communist-controlled C.G.T.—has so far consistently rejected the Communist advances. But Albert Bouzanquet, Secretary General of F.O., in a bitter denunciation of government policy after the devaluation of the franc, warned that the more than 1.5-million members of F.O. would cooperate with the C.G.T. in a great strike movement "despite our differences." He even spoke of "insurrectional strikes within a month" unless the present wage-freeze were abolished.

• **Threat**—Although the F.O. leaders are clearly anti-Communist, it is doubtful indeed whether they can continue much longer to restrain their members from joining the Communists in a large-scale offensive for higher wages. Such a "united front" would revive the declining strength of the Communist movement and constitute a serious threat to the stability of western Europe as a whole.

CHICAGO TRADE FAIR

It looks like quite a crop of international trade fairs for the U.S. in 1950. The latest city to announce one is Chicago. It has set the date for Aug. 7-18. That would put it ahead of the fairs which have already been announced by Detroit (October) and Atlantic City (November).

The Chicago plan is to invite manufacturers from the Marshall Plan countries and Latin America to join with U.S. exhibitors. The Navy Pier, the Coliseum, and the International Amphitheatre at the stock yards will house the exhibits.

Sponsor of the fair is the Chicago Convention Bureau—an organization backed by 600 of Chicago's leading business firms. It's from these companies that I. S. Anoff, bureau president, expects to raise most of the $200,000 needed to finance the project.

BETTER SALESMANSHIP

The British government seems awake to the need for more aggressive selling in the U.S. (BW—Sep.24'49,p20). The Board of Trade has just hired a New York advertising firm—Hewitt, Ogilvy, Benson & Mather, Inc.—to handle the American advertising for the 1950 British Industries Fair.

Last year the fair used the same stolid British advertisement throughout the whole world.

ADVERTISERS IN THIS ISSUE

Business Week—October 15, 1949

ALAN WOOD STEEL CO. 122
Agency—John Falkner, Arndt & Co., Inc.
ALLIED STRUCTURAL STEEL COMPANIES 93
Agency—The Fensholt Co.
ALUMINUM CO. OF AMERICA 11
Agency—Ketchum, MacLeod & Grove, Inc.
AMERICAN ENGINEERING CO. 88
Agency—John Falkner, Arndt & Co., Inc.
ARMCO STEEL CORP. 85
Agency—N. W. Ayer & Son, Inc.
ART METAL CONSTRUCTION CO. 112-113
Agency—McCann-Erickson, Inc.
AUTOMATIC ELECTRIC CO. 6
Agency—The Buchen Co.
AUTOPOINT CO. 74
Agency—Ruthrauff & Ryan, Inc.
BABCOCK & WILCOX CO. 69
Agency—O. S. Tyson & Co., Inc.
BANKERS TRUST CO. 4
Agency—Cowan & Dengler, Inc.
RICHARD BEST PENCIL CO. 106
Agency—Samuel C. Croot Co., Inc.
THE BILTMORE HOTEL 76
Agency—Kelly, Nason, Inc.
BORG-WARNER CORP. 73
Agency—Rogers & Smith
BOWER ROLLER BEARING CO. ..... 2nd Cover
Agency—MacManus, John & Adams, Inc.
BUELL ENGINEERING CO., INC. 40
Agency—Hicks & Greist, Inc.
BUFFALO FORGE CO. 111
Agency—Melvin F. Hall Adv. Agency, Inc.
BURROUGHS ADDING MACHINE CO., INC. 123
Agency—Campbell-Ewald Co.
BYRON JACKSON CO. (PUMP DIV.) 32
Agency—Dana Jones Co.
CELANESE CORPORATION OF AMERICA .. 12
Agency—Ellington & Co., Inc.
CENTURY ELECTRIC CO. 35
Agency—Oakleigh R. French & Assoc.
CHICAGO WATCHCLOCK CORP. 114
Agency—Kenneiffe, Hirsh & Baumann, Inc.
CHRYSLER CORP., DODGE DIV. 2
Agency—Ross Roy, Inc.
CLARK INDUSTRIAL TRUCK DIV.
CLARK EQUIPMENT CO. 98
Agency—Gebhart & Brockson, Inc.
COMBUSTION ENGINEERING—SUPERHEATER, INC. 45
Agency—G. M. Basford Co.
COMMONWEALTH EDISON & AFFILIATES 89
Agency—J. R. Pershall Co.
CORRY-JAMESTOWN MFG. CO. 125
Agency—Walker & Downing, General Agency
CUMMINS ENGINE CO., INC. 58
Agency—Spencer W. Curtiss, Inc.
DAVISON CHEMICAL CORP. 100
Agency—Benjamin Eshleman Co.
DISTILLATION PRODUCTS, INC. 3
Agency—The Griswold-Eshleman Co.
THE DoALL CO. 64-65
Agency—Weston-Barnett, Inc.
THE F. W. DODGE CORP. 97
Agency—J. M. Hickerson, Inc.
C. A. DUNHAM CO. 60
Agency—The Buchen Co.
E. I. du PONT de NEMOURS & CO., INC. 7
Agency—Batten, Barton, Durstine & Osborn, Inc.
E. I. du PONT de NEMOURS & CO., INC. (PLASTICS) 84
Agency—Batten, Barton, Durstine & Osborn, Inc.
DURANT MANUFACTURING CO. 96
Agency—Keck-Franke Adv. Agency
DUREZ PLASTICS & CHEMICALS, INC. 93
Agency—Comstock, Duffy & Co.
EBASCO SERVICES, INC. 101
Agency—Albert Frank-Guenther Law, Inc.
THE FELTERS CO. 79
Agency—Sutherland-Abbott
FOLLANSBEE STEEL CORP. 72
Agency—Ketchum, MacLeod & Grove, Inc.
THE GARDNER BOARD AND CARTON CO. 87
Agency—Stockton, West, Burkhart, Inc.
GAYLORD CONTAINER CORP. 71
Agency—Oakleigh R. French & Assoc.
GENERAL BOX CO. 90
Agency—The Buchen Co.
GENERAL CONTROLS CO. 82
Agency—The McCarty Co.
GENERAL OUTDOOR ADV. CO. 118
Agency—McCann-Erickson, Inc.
GLOBE AUTOMATIC SPRINKLER CO., INC. 124
Agency—Marschalk & Pratt Co.
GRAND RIVER DAM AUTHORITY 82
Agency—Watts, Payne - Advertising, Inc.
GREYHOUND LINES 87
Agency—Beaumont & Hohman, Inc.
HAMMERMILL PAPER CO. 115
Agency—Batten, Barton, Durstine & Osborn, Inc.
HANSEN STORAGE CO. 113
Agency—Duffy & Fabry, Inc.
HARTFORD FIRE INSURANCE COMPANY AND HARTFORD ACCIDENT & INDEMNITY CO. 44
Agency—Newell-Emmett Co.
THE HINDE & DAUCH PAPER CO. 80
Agency—Howard Swink Adv. Agency
HOTEL STATLER TIE BAR 86
Agency—Artwil Co.
INDUSTRIAL TAPE CORP. 47
Agency—Kenyon-Eckhardt, Inc.
THE INTERNATIONAL NICKEL CO., INC. 17
Agency—Marschalk & Pratt Co.
JOHNSON & HIGGINS 102
Agency—Doremus & Co., Inc.
KELLER TOOL CO. 76
Agency—The Fensholt Co.
KIMBERLY-CLARK CORP. 59
Agency—Foote, Cone & Belding
KOPPERS CO., INC. 108
Agency—Van Sant, Dugdale & Co.
KWIK-MIX CO. 106
Agency—Andrews Agency, Inc.
LURIA ENGINEERING CORP. 41
Agency—Rickard & Co., Inc.
LYKES BROS. STEAMSHIP CO. 102
Agency—The Caples Co.
THE MAGNAVOX CO. 104
Agency—Maxon, Inc.
P. R. MALLORY & CO., INC. 118
Agency—The Aitkin-Kynett Co.
MANNING, MAXWELL & MOORE, INC. 70
Agency—Briggs & Varley, Inc.
THE MARINE MIDLAND TRUST CO. OF N. Y. 31
Agency—Batten, Barton, Durstine & Osborn, Inc.
MARK 'ANDY 124
Agency—Barnes Chase Co.
MARSH STENCIL MACHINE CO. 124
Agency—Krupnik & Assoc., Inc.
MASTER ADDRESSER CO. 86
Agency—Russ Nelson Adv.
McGRAW-HILL BOOK CO., INC. 126
McKEE GLASS CO. 116
Agency—Ketchum, MacLeod & Grove, Inc.
MERCURY MANUFACTURING CO. 48
Agency—O'Grady-Anderson-Gray, Inc.
MERRILL LYNCH, PIERCE, FENNER & BEANE 105
Agency—Albert Frank-Guenther Law, Inc.
MICRO SWITCH DIV. OF FIRST IND'L CORP. 117
Agency—Hamilton Adv. Agency, Inc.
MINNESOTA MINING & MANUFACTURING CO. 37
Agency—Batten, Barton, Durstine & Osborn, Inc.
MISSOURI STATE DIVISION OF RESOURCES & DEV. 114
Agency—Potts-Turnbull Co.
MOBILIFT CORP. 4
Agency—House & Leland, Adv.
MOORE BUSINESS FORMS, INC. 99
Agency—N. W. Ayer & Son, Inc.
NATIONAL BLANK BOOK CO. 62
Agency—Sutherland-Abbott
NATIONAL LIFE INSURANCE CO. OF VERMONT 61
Agency—Allen & Richards, Inc.
NEKOOSA-EDWARDS PAPER CO. 46
Agency—The Cramer-Krasselt Co.
NEW ENGLAND ELECTRIC SYSTEM 78
Agency—Harold Cabot & Co., Inc.
NEW JERSEY COUNCIL 50
Agency—United Adv. Agency
N. Y. STATE DEPT. OF COMMERCE 94
Agency—Batten, Barton, Durstine & Osborn, Inc.
NORFOLK & WESTERN RAILWAY CO. 39
Agency—Houck & Co., Adv.
ORONITE CHEMICAL CO. 29
Agency—L. C. Cole Co.
THE OSBORN MANUFACTURING CO. 91
Agency—The Griswold-Eshleman Co.
THE PENNSYLVANIA CO. 14
Agency—N. W. Ayer & Son, Inc.
PEOPLES FIRST NATIONAL BANK & TRUST CO. 34
Agency—Ketchum, MacLeod & Grove, Inc.
PERMANENTE METALS CORP. 30
Agency—Young & Rubicam, Inc.
PITNEY-BOWES, INC. 83
Agency—L. E. McGinnis & Co., Inc.
PRODUCT TECHNICIANS, INC. 124
Agency—Jack Knabb, Adv.
PUBLIC SERVICE ELECTRIC & GAS CO. .. 67
Agency—Charles Dallas Reach Co.
PULVERIZING MACHINERY CO. 88
Agency—Mercreadv, Handy & Van Denburgh
QUINCY COMPRESSOR CO. 36
Agency—L. W. Ramsey Adv. Agency
RAPIDS-STANDARD CO., INC. 109
Agency—Wesley Aves & Assoc.
REZNOR MFG. CO. 94
Agency—Meek & Thomas, Inc.
ROBBINS CO. 86
Agency—Franklin Adv. Service
JOS. T. RYERSON & SON, INC. 27
Agency—Aubrey, Moore & Wallace, Inc.
SAN JOSE CHAMBER OF COMMERCE 104
Agency—Francis J. Wank, Adv.
SANTA FE RAILWAY 28
Agency—Leo Burnett Co., Inc.
SEDGWICK MACHINE WORKS 96
Agency—G. R. Woodin Co.
SHAW WALKER CO. 75
Agency—Kenyon & Eckardt, Inc.
ALEXANDER SMITH & SONS AND C. H. MASLAND & SONS 66
Agency—Anderson, Davis & Platte, Inc.
SOCONY-VACUUM OIL CO., INC. ..... 3rd Cover
Agency—Compton Adv., Inc.
SPENCER CHEMICAL CO. 38
Agency—Rogers & Smith
STATE OF NORTH CAROLINA 42
Agency—Ayer & Gillett, Inc.
F. J. STOKES MACHINE CO., INC. 56
Agency—John Mather Lupton Co., Inc.
SUN LIFE ASSURANCE CO. OF CANADA 125
SURFACE COMBUSTION CORP. 103
Agency—Brown-Fuller-Reichert, Inc.
SYLVANIA ELECTRIC PRODUCTS, INC. 54-55
Agency—Newell-Emmett Co.
TIMKEN ROLLER BEARING CO. ..... 4th Cover
Agency—Batten, Barton, Durstine & Osborn, Inc.
THE TRANE CO. 18
Agency—Tatham-Laird, Inc.
TWIN DISC CLUTCH CO. 107
Agency—Spencer W. Curtiss, Inc.
UARCO, INC. 52
Agency—The Buchen Co.
UNION CARBIDE & CARBON CORP. 63
Agency—J. M. Mathes, Inc.
U. S. GUTTA PERCHA PAINT CO. 77
Agency—Sutherland-Abbott
U. S. STEEL CORP., CYCLONE FENCE DIV. 68
Agency—Batten, Barton, Durstine & Osborn, Inc.
WAGNER ELECTRIC CORP. 33
Agency—Arthur R. Mogge, Inc.
WEBSTER ELECTRIC CO. 49
Agency—Hamilton Adv. Agency, Inc.
WELLINGTON SEARS CO. 53
Agency—H. B. Humphrey Co.
WESTINGHOUSE ELECTRIC CORP. 8
Agency—Fuller & Smith & Ross, Inc.
WHEELING CORRUGATING CO. 5
Agency—Newell-Emmett Co.
WHITE MOTOR CO. 51
Agency—D'Arcy Adv. Co.
THE YODER CO. 92
Agency—G. M. Basford Co.
YOUNGSTOWN SHEET & TUBE CO. 43
Agency—The Griswold-Eshleman Co.

A Blunderbuss Antitrust Policy

"Nothing less than astonishing." That was the comment made last week by Sen. Kilgore on the recent Federal Trade Commission report, "The Concentration of Productive Facilities." It showed the extent of concentration in 26 separate industries in 1947 which, FTC says, indicates a continued trend toward concentration.

We thought the report was astonishing, too (BW—Sep.24'49,p81). But our astonishment did not spring from the same base as Sen. Kilgore's. He said that "this extraordinary degree of concentration" building up monopoly and international cartels will help to bring collectivism. He said that the power of private monopoly in this country is approaching the levels which promoted fascism in Italy, Japan, and Germany, and, more recently, socialism in Great Britain and many other European countries. The senator believes that America can escape this historical trend only by enforcing and strengthening the antitrust laws.

He wants the Senate to follow the lead of the House in adopting a bill which would give FTC power to prevent one company from acquiring assets of another in order to effect a merger.

We, too, have seen many mergers and consolidations in recent years that caused us to wonder. We found it difficult for a while to believe, for example, that two successful, thriving companies stood to gain very much in the way of more efficient operation by combining their resources.

In case after case that we checked, however, we made this discovery: Most mergers were consummated because of our harsh tax laws. One-man businesses and partnerships have seen enough examples by now to know that their businesses, unless glutted with cash, would be in jeopardy if held by an estate after the owner's death.

A businessman told us last week why he and his partner had sold out their business last year to a larger company. They had figured out that their estates would go bankrupt trying to pay inheritance taxes and maintain the business. By selling out for cash and stock in the other company, they feel their estates will be in position to pay the taxes without hurting the business.

No Logic in It

We cannot see the logic in the federal government's present position: It writes laws designed to encourage competition and, at the same time, enforces laws, such as inheritance levies with high rates, that have the result of diminishing competition.

If Sen. Kilgore has his way, and Congress passes the bill prohibiting mergers through purchase of assets, the damage done to business would be too large to measure.

Sen. Kilgore also seems to feel that the antitrust laws are accomplishing what they were originally designed to do. But he does not seem to take into account that the government's basic antitrust philosophy has changed radically in recent years. Nor does he seem to be aware that the antitrust laws have been so distorted by court decisions that the original purpose of the statutes has been pushed aside.

Change in Interpretation

As BUSINESS WEEK pointed out a few weeks ago (BW—Sep.24'49,p25), the men in Congress who wrote the antitrust laws wanted to protect the "little man." The "little man" was thought of then as the ultimate consumer. To protect him from high prices, the laws were adopted to break up monopolies which had in them the power to maintain prices at needlessly high levels.

Now the antitrust laws are being administered with the idea that the small businessman needs to be protected from the larger business elements. That is the line that has been taken by the Dept. of Justice in recent years—and the Supreme Court has been backing up the department by ruling in its favor in nearly every case.

This changed interpretation of the antitrust laws has raised a new threat to business. Harry A. Toulmin, Jr., declares in the foreword of his new four-volume treatise on the antitrust laws: "Whether he knows it or not, practically every businessman in the country, large or small, is today in danger of violating some antitrust law. What most of them fail to realize is that the original statutes no longer represent the law."

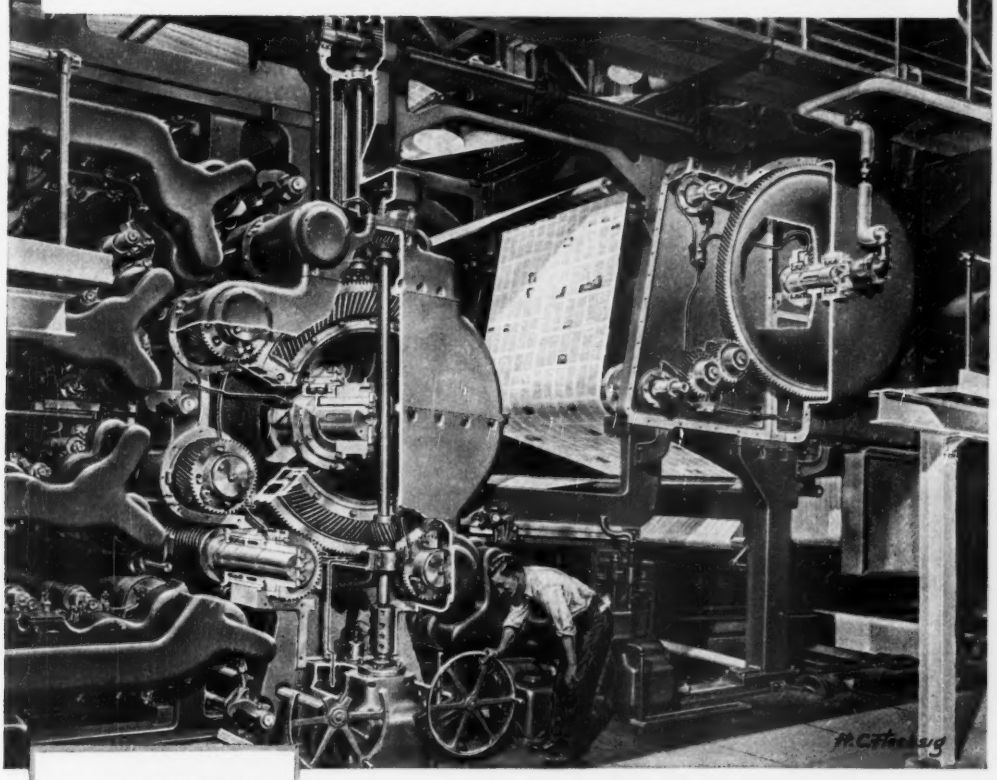
The Justice Dept. showed clearly in its recent suit against the Standard Oil Co. of California how much it has altered its views on administering the antitrust laws. Although the Supreme Court backed up the department in this case, Justice Jackson said, quite truly, that "if the courts are to apply the lash of the antitrust laws to the backs of businessmen to make them compete, we cannot in fairness also apply the lash whenever they hit upon a successful method of competing."

In the recent suit against the Great Atlantic & Pacific Tea Co., it is quite obvious that this is merely one small part of the government's attack on bigness, as such, and not an attack on unfair competition. The complaint says, of course, that A.&P. has imposed unreasonable restraints of trade upon competitors at all levels of the food industry. But most of the reaction we have seen from A.&P. competitors since then indicates that the kind of competition A.&P. supplies is welcome.

Obviously the government—in the executive branch, in the legislative branch, and in the judicial branch—is blundering badly in trying to administer an antitrust policy. It is high time, therefore, that Congress decided to investigate anew the whole field of antitrust legislation and related statutes. From such a study should evolve a more realistic appraisal of what constitutes fair competition. Laws might then be written to encourage that kind of competition, as well as banish unfair competition.

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TO give you faster, more comfortable trains to ride on, railroad car designers are always on the lookout for ways to whittle excess weight off passenger trains. And in the steel I-beam, they find one of their best opportunities to save weight without losing strength.

Car engineers had just about given up hope, however, of taking advantage of the I-beam shape for equalizers—the steel bars which distribute a car's weight evenly among its wheels. Certain limitations in metal-working processes stood in the way.

Recently a forging company solved half of the problem by developing a closed-die forging process used in conjunction with huge drop hammer equipment. The next step was to find a steel of the required strength which could be easily formed by forging.

Learning of this problem, metallurgists of The Timken Roller Bearing Company recommended a special chrome-nickel-moly steel for the job—a tremendously strong steel with unusual forging characteristics. Tested under the complicated forging dies, it formed readily to shape, with an easily controlled grain flow that assured maximum strength at every critical point. It responded perfectly to heat treatment.

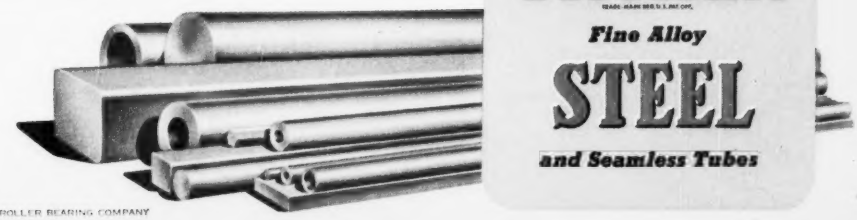
Using the new I-beam equalizers in place of the old, solid steel bars, railroad men make a saving in weight of almost 50%—405 pounds against 800 pounds—and get a stronger, safer bar besides.

Approved by a leading railroad, the new equalizer is now being adopted for some of the latest streamlined passenger trains.

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